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MANHATTAN BOND FUND, INC.

Annual Report To Shareholders

January 31, 1940

MANHATTAN BOND FUND, INC.

15 EXCHANGE PLACE

JERSEY CITY, N. J.

TO OUR SHAREHOLDERS:

Your Board of Directors submits herewith a report on the operations of your Corporation for the fiscal year ended January 31, 1940. On pages 5 to 7, inclusive, will be found a balance sheet and list of bonds owned by the Corporation as at January 31, 1940, together with statements of profit and loss and surplus accounts for the fiscal year ended on that date, all as certified by Messrs. Prankard & Zimmermann, Certified Public Accountants.

The fiscal year just ended was a period of substantial growth for your Corporation. Net asset value which stood at $757,312.18 on January 31, 1939 and at $2,828,227.80 on July 31, 1939 (the date of the latest semi-annual report) amounted to $4,056,631.38 as of January 31, 1940. Outstanding shares as of the same dates totalled 109,394, 398,073 and 609,370, respectively.

It is the objective of your management to secure for shareholders a satisfactory income from diversified bondholdings. The Charter of your Corporation limits its investments to bonds and no preferred or common stocks may be purchased at any time. While investment may be made in any section of the bond field, it is the opinion of your management that highest grade bonds not only fail to provide satisfactory income at current market levels but that they also present the risk of substantial price depreciation on any return to more normal interest rates. Consequently the portfolio of your Corporation currently consists of medium-grade and semi-speculative issues which offer greater income and which may be expected to benefit in market value from any significant improvement in general business conditions. It is recognized that such bonds individually contain an element of risk greater than that of high-grade issues but it is believed that this factor is effectively minimized by the degree of diversification employed. In the endeavor to keep shareholders informed of the holdings underlying their shares, your management has supplemented the regular semi-annual reports by furnishing shareholders with a list of investments of the Corporation as of the first day of each month and has included in

these monthly reports, brief comments on the alterations made in the portfolio as well as upon other matters of current interest.

Distributions

During the fiscal year four quarterly distributions totalling 45¢ per share were made to shareholders from the Ordinary Distribution Account. In addition, three extraordinary distributions totalling 14¢ per share were made from profits realized on the sales of securities. The total distribution from both sources amounted to 59¢ per share. Details of these distributions may be found on page 6 of this report. It should be noted that there is no fixed rate of distribution and that quarterly distributions are not uniform in amount. Ordinary distributions will, of necessity, vary with the amount of income to the Corporation from interest and the amount of its operating expenses. Extraordinary distributions from realized profits, when made, may also vary since such distributions will be made only when a net balance exists in the securities profit and loss account and will be governed by the amount of such balance. The amount of profits or losses which the Corporation realizes from time to time naturally depends upon the condition of the bond markets at the time when sales of bonds are made.

The record of progress made by your Corporation during the past year is gratifying to the management and appears to indicate that such an income medium as that offered by your Corporation's shares meets a recognized need. Comments and questions from shareholders on the affairs of the Corporation are welcomed at all times and will receive careful consideration.

Respectfully submitted,

HUGH W. LONG,
President

By Order of the Board of Directors
February 15, 1940.

PRANKARD & ZIMMERMANN
CERTIFIED PUBLIC ACCOUNTANTS

55 LIBERTY STREET
NEW YORK

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS,
MANHATTAN BOND FUND, INC.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at January 31, 1940 and the related statement of profit and loss and surplus accounts for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Securities owned at January 31, 1940 as shown on the accompanying schedule of investments (except securities purchased but not yet received) were counted by us and in addition we obtained a confirmation from the custodian that it held such securities for the account of the Company at January 31, 1940. The securities purchased but not yet received were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statement of profit and loss and surplus accounts, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at January 31, 1940 and the results of its operations for the fiscal year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

PRANKARD & ZIMMERMANN

New York, N. Y.
February 10, 1940.

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

BALANCE SHEET—JANUARY 31, 1940

ASSETS

Cash on Deposit	$ 84,937.88
Investments—At value based on closing market quotations (cost of specific certificates held, $4,048,271.49)	3,928,476.25
Receivable for Interest Purchased and Interest Accrued	87,950.05
Receivable from Wholesale Distributor for Capital Stock Sold, Not Yet Delivered	13,566.49
Receivable for Securities Sold, Not Yet Delivered	11,894.00
Deferred Charges	828.80
Total	$4,127,653.47

LIABILITIES

Payable for Capital Stock Repurchased, Not Yet Received		$ 1,122.75
Payable for Securities Purchased, Not Yet Received		63,077.05
Accounts Payable and Accrued Taxes (Note 1)		6,822.29
Capital Stock and Surplus (Equivalent to $6.66 per share on 609,370 shares outstanding):		
Capital stock of $.10 par value:		
Authorized 7,500,000 shares—		
Issued or subscribed (less 463 shares in treasury) 609,370 shares	$ 60,937.00	
Paid-in surplus	4,110,924.85	
"Ordinary distribution account" balance (deficit)	(3,445.69)	
Security profits surplus	8,010.46	
Excess of cost of investments over value thereof based on closing market quotations	(119,795.24)	4,056,631.38
Total		$4,127,653.47

Notes:

(1) The Company believes that during the fiscal year ended January 31, 1940 it has complied with all the provisions of the Internal Revenue Code necessary to qualify as a "Mutual investment company" under such Code, and has distributed to stockholders during such year all of its net income including amounts equivalent to net profits from sales of securities in taxable distributions; accordingly no provision has been made in the above balance sheet or in the accompanying statement of profit and loss and surplus accounts for Federal income tax.

(2) During the year ended January 31, 1940, the following payments were made to firms or companies which had partners or officers who were also officers or directors of this Company:

Manhattan Foundation, Inc.—	
Research and advisory service fee	$12,438.78
Delafield, Marsh, Porter & Hope—	
Legal fees	900.00

MANHATTAN BOND FUND, INC.

STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNTS FOR THE YEAR ENDED JANUARY 31, 1940

"ORDINARY DISTRIBUTION ACCOUNT" (As defined in the certificate of incorporation):		
Income—Interest on bonds		$ 181,785.32
Expenses:		
Research and advisory fee paid to Manhattan Foundation, Inc.	$12,438.78	
Custodian's fees and expenses	3,893.65	
Legal and auditing fees	3,286.00	
Transfer agent's fees and expenses	2,600.97	
Federal capital-stock and state franchise taxes	5,121.58	
Distribution disbursing charges	997.93	
Reports to stockholders	849.82	
Registrar's fees and expenses	693.90	
Miscellaneous	1,779.09	
Total	$31,655.72	
Deduct—Repurchase charges	1,621.45	30,034.27
Net income (exclusive of security profits and losses)		$ 151,751.05
Add:		
Balance, January 31, 1939 (representing undistributed equalization credits)		1,464.98
Equalization credits (portion of amounts received for capital stock sold, less comparable amounts paid for capital stock repurchased representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		15,855.57
Total		$ 169,071.60
Deduct—Cash distributions to stockholders of $.12 a share paid April 15, 1939, and $.11 a share each paid July 15, 1939, October 16, 1939, and January 15, 1940		172,517.29
Balance, January 31, 1940 (deficit)		($ 3,445.69)
SECURITY PROFITS SURPLUS (Computed on the basis of identifying the cost of specific certificates):		
Balance, January 31, 1939		$ 2,532.30
Net profit from sales of securities (less $550.00 provision for Federal excess-profits tax)		59,978.50
Total		$ 62,510.80
Deduct—Cash distributions to stockholders of $.05 a share paid April 15, 1939, $.02 a share paid July 15, 1939, and $.07 a share paid January 15, 1940		54,500.34
Balance, January 31, 1940		$ 8,010.46
EXCESS OF COST OF INVESTMENTS OVER VALUE THEREOF BASED ON CLOSING MARKET QUOTATIONS:		
At January 31, 1939 (excess of market value over cost)		($ 7,545.00)
Change during the period		127,340.24
At January 31, 1940		$ 119,795.24
PAID-IN SURPLUS:		
Balance, January 31, 1939		$ 734,830.50
Excess of amounts received or receivable on subscriptions to capital stock over amounts paid or payable on repurchases of capital stock, exclusive of the par value of such stock, and after deducting net equalization credits ($15,855.57) and repurchase charges ($1,621.45) included in "ordinary distribution account"		3,382,003.11
Total		$4,116,833.61
Deduct—Fees and expenses incidental to the registration and qualification of shares of capital stock for sale		5,908.76
Balance, January 31, 1940		$4,110,924.85

MANHATTAN BOND FUND, INC.

INVESTMENTS—JANUARY 31, 1940

Face Value	*Security*	*Interest Rate*	*Maturity*	*Cost*	*Value Based on Closing Market Quotations*
$275,000.00	Alleghany Corporation, 20-Year Collateral Trust Convertible Bonds	5%	1949	$ 184,507.50	$ 184,937.50
134,000.00	American Power & Light Company, Gold Debenture Bonds, American Series	6	2016	125,946.25	134,000.00
147,000.00	Associated Gas and Electric Corporation, 8-Year Gold Bonds (see note)	8	1940	143,718.99	119,805.00
282,000.00	Atlantic Coast Line Railroad Company, General Unified Mortgage 50-Year Gold Bonds, Series "A"	4½	1964	174,068.75	162,855.00
300,000.00	Central Pacific Railway Company, 35-Year Guaranteed Gold Bonds	5	1960	156,391.25	148,500.00
164,000.00	Central States Power & Light Corporation, First Mortgage, First Lien Gold Bonds	5½	1953	117,342.50	121,360.00
176,000.00	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage, 50-Year Gold Bonds	5	1960	109,028.75	109,120.00
175,000.00	Childs Company, 15-Year Debenture Gold Bonds	5	1943	126,920.00	90,125.00
229,000.00	Cities Service Company, Convertible Gold Debentures	5	1950	168,578.75	155,433.75
59,000.00	The Cleveland Union Terminals Company, First Mortgage, Sinking Fund, Gold Bonds Series "A"	5½	1972	51,958.75	52,805.00
139,000.00	The Colorado and Southern Railway Company, General Mortgage Gold Bonds, Series "A"	4½	1980	55,270.00	42,221.25
42,000.00	Community Power and Light Company, 30-Year First Mortgage Collateral Gold Bonds	5	1957	34,857.50	39,427.50
30,000.00	Continental Gas & Electric Corporation, Gold Debentures, Series "A"	5	1958	26,120.00	26,400.00
208,000.00	Electric Power & Light Corporation, Gold Debentures	5	2030	158,293.75	162,760.00
54,000.00	General Public Utilities Company, First Mortgage and Collateral Trust Gold Bonds, Series "A"	6½	1956	51,727.50	52,515.00
147,000.00	General Steel Castings Corporation, First Mortgage Gold Bonds, Series "A"	5½	1949	96,143.75	98,857.50
102,000.00	Gulf, Mobile and Northern Railroad Company, First Mortgage Gold Bonds, Series "C"	5	1950	76,770.00	82,110.00
117,000.00	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds	4	1955	60,663.75	55,282.50
243,000.00	Illinois Central Railroad Company, 40-Year Gold Bonds	4¾	1966	112,330.00	108,742.50
26,000.00	Illinois Power and Light Corporation, 30-Year Sinking Fund Debenture Gold Bonds	5½	1957	22,631.25	25,285.00
31,000.00	Indiana Service Corporation, First and Refunding Mortgage Gold Bonds, Series "A"	5	1950	18,271.25	20,150.00
197,000.00	International Hydro-Electric System, Convertible Gold Debentures	6	1944	158,718.75	142,825.00
171,000.00	International Paper Company, Refunding Mortgage Sinking Fund Gold Bonds, Series "A"	6	1955	154,978.75	166,511.25
207,000.00	Interstate Power Company, First Mortgage Gold Bonds	5	1957	138,043.75	129,375.00
225,000.00	The Kansas City Southern Railway Company, Refunding and Improvement Mortgage Gold Bonds	5	1950	152,162.50	152,437.50
46,000.00	Louisiana & Arkansas Railway Company, First Mortgage Bonds, Series "A"	5	1969	38,193.75	38,985.00
146,000.00	New England Gas and Electric Association, Convertible Gold Debenture Bonds	5	1948	94,186.25	94,170.00
174,000.00	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Series "A"	4½	2013	97,557.50	90,480.00
142,000.00	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Series "C"	5	2013	83,742.50	82,182.50
100,000.00	The New York, Chicago and St. Louis Railroad Company, Refunding Mortgage Gold Bonds, Series "A"	5½	1974	64,432.50	63,125.00
287,000.00	Northern Pacific Railway Company, Refunding and Improvement Bonds, Series "B"	6	2047	169,861.25	157,850.00
24,000.00	Pacific Power & Light Company, First Mortgage and Prior Lien Gold Bonds	5	1955	20,045.00	22,320.00
75,000.00	The Southern Indiana Railway Company, First Mortgage Gold Bonds	4	1951	36,110.00	38,625.00
71,000.00	Southern Pacific Company, 40-Year Gold Bonds	4½	1968	36,307.50	32,482.50
64,000.00	Southern Railway Company, Development and General Mortgage Gold Bonds, Series "A"	6	1956	49,693.75	49,600.00
176,000.00	Southern Railway Company, Development and General Mortgage Gold Bonds, Series "A"	6½	1956	137,422.50	141,460.00
222,000.00	Standard Gas and Electric Company, Gold Debentures, Series "A"	6	1951	142,987.50	134,310.00
5,000.00	The United Light and Power Company, Gold Debentures, Series of 1925	6	1975	3,862.50	3,887.50
136,000.00	The United Light and Power Company, Gold Debentures, Series of 1924	6½	1974	116,215.00	108,800.00
56,000.00	Utah Power & Light Company, Gold Debenture Bonds, Series "A"	6	2022	51,582.50	56,000.00
70,000.00	Virginia Public Service Company, 20-Year Sinking Fund Gold Debentures	6	1946	62,593.75	69,125.00
242,000.00	The Western Union Telegraph Company, 30-Year Gold Bonds	5	1960	168,033.75	161,232.50
	Total			$4,048,271.49	$3,928,476.25

NOTE: The Associated Gas and Electric Corporation 8% Bonds due March 15, 1940 have, since January 11, 1940, been traded "flat" in the "over-the-counter" market. Accordingly no interest income or interest receivable have been included on the accompanying statements in respect of the March 15, 1940 coupons on these bonds.

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MANHATTAN BOND FUND, INC.

Annual Report To Shareholders

January 31, 1941

MANHATTAN BOND FUND, INC.

15 EXCHANGE PLACE

JERSEY CITY, N. J.

TO OUR SHAREHOLDERS:

We are pleased to submit herewith a report on the operations of your Corporation for the fiscal year ended January 31, 1941. On pages 5 to 7, inclusive, will be found a balance sheet and list of bonds owned by the Corporation as at January 31, 1941, together with statement of profit and loss and surplus accounts for the annual period ended on that date, all as certified by Messrs. Prankard & Zimmermann, Certified Public Accountants.

The twelve months covered by this report represent a period of generally rising industrial activity under the stimulus of foreign war orders and the defense program. It was also a period of increased gross earnings for most corporations and, in the majority of instances, of increased net earnings even after provision for higher normal income tax rates and excess profits taxes. While showing strongly divergent trends as between individual issues as well as between various industrial classifications, the securities market generally failed to reflect this improvement in business and earnings. Bonds of the character of those held by your Corporation, however, did respond to the expansion of business. Such bonds showed an over-all advance for the period, reflecting recognition by investors of the fact that bond interest constitutes a charge against earnings prior to corporate income and excess profits taxes, and the further fact that increased earnings naturally provide improved coverage of bond interest requirements.

The net asset value per share of Capital Stock of your Corporation on January 31, 1941 was $7.07 compared with $6.66 per share a year earlier or a net gain of 6.16% contrasted with a decline of 16.41% in the Standard Statistics Ninety Stock Price Index during the same period. This gain in asset value was recorded after distribution to shareholders totalling 45¢ per share. Of these distributions 41¢ were derived from the "ordinary distribution account" or, in other words, represented primarily bond interest received less expenses. The remaining 4¢ per share was paid from the "extraordinary distribution account," representing net profits realized on bonds sold out of the portfolio. The total payments were equivalent to a yield of 6.4% on asset value per share as of the closing day of the fiscal year.

The vigorous growth of your Corporation referred to in the previous semi-annual report continued throughout the year as a whole. As of January 31, 1941, the net assets stood at $7,507,227.59 as against $4,056,631.38 a year earlier, an increase of 85%. During the same period the number of shares outstanding rose from 609,370 to 1,062,478. As an evidence of the improvement in the medium-grade bond market since the date of the last previous semi-annual report, the market value of the bonds held by your Corporation as of January 31, 1941 was $334,879.76 greater than cost, whereas on July 31, 1940 there was an excess of cost over market amounting to $215,183.99, an over-all improvement of $550,063.75.

At the time of the latest previous report submitted to stockholders, the Wagner-Lea Bill was pending before the Congress. This bill, providing uniform rules and practices for many of the operations of investment companies, has since been enacted as the Investment Company Act of 1940. The management of your Corporation is in entire sympathy with the Act as passed and your Corporation has registered under the Act as a diversified investment company.

With most of the major nations of the world either actually at war or engaged in intensive military preparations, it is obvious that 1941 must be regarded as a year containing many elements of uncertainty. Nevertheless, there are certain predictions which may be ventured with reasonable assurance. Actual operations under the defense program are gaining momentum rapidly. The huge expenditures to be made imply a high rate of activity in trade and industry, reduced unemployment and a significantly increased public purchasing power. Offsetting factors are, of course, possible war developments and additional tax legislation. As to the latter, it would seem that your Corporation occupies a distinctly favorable position due to the preferred income tax status of bond interest requirements as described earlier in this report.

Respectfully submitted,

HUGH W. LONG,
President

By Order of the Board of Directors
February 25, 1941.

PRANKARD & ZIMMERMANN
CERTIFIED PUBLIC ACCOUNTANTS

55 LIBERTY STREET
NEW YORK

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS,
MANHATTAN BOND FUND, INC.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at January 31, 1941 and the related statement of profit and loss and surplus accounts for the year then ended, have reviewed the system of internal control and the accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Securities owned at January 31, 1941, as shown on the accompanying schedule of investments, were counted by us and in addition we obtained a confirmation from the custodian that it held such securities for the account of the Company on that date.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statement of profit and loss and surplus accounts, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at January 31, 1941 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRANKARD & ZIMMERMANN

New York, N. Y.
February 13, 1941.

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

BALANCE SHEET—JANUARY 31, 1941

ASSETS

Cash on Deposit	$ 123,433.25
Investments—At value based on closing market quotations (Cost of specific certificates held, $6,893,052.74)	7,227,932.50
Receivable for Interest Purchased and Interest Accrued	151,387.77
Receivable from Wholesale Distributor for Capital Stock Sold, Not Yet Delivered	41,720.60
Deferred Charges	421.32
Total	$7,544,895.44

LIABILITIES

Payable for Capital Stock Repurchased, Not Yet Received		$ 26,637.30
Accounts Payable and Accrued Taxes (Note 1)		11,030.55
Capital Stock and Surplus (Equivalent to $7.07 per share on 1,062,478 shares outstanding):		
Capital stock of $.10 par value:		
Authorized 7,500,000 shares—		
Issued or subscribed (less 4,359 shares in treasury) 1,062,478 shares (Note 2)	$ 106,247.80	
Paid-in surplus	7,046,637.66	
"Ordinary distribution account" balance	10,604.21	
Security profits surplus	8,858.16	
Excess of value of investments based on closing market quotations over cost thereof	334,879.76	7,507,227.59
Total		$7,544,895.44

Notes to Financial Statements:

(1) No Federal income tax has been accrued for the fiscal year ended January 31, 1941 since the Company believes that it has distributed all of its taxable income for such year in taxable dividends and has qualified as a "mutual investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($435.90) has been charged against capital stock account.

(3) The Company determines the cost of investments on the basis of the cost of the specific certificates held. The value of such investments, based on closing market quotations, was $334,879.76 in excess of cost at January 31, 1941. At January 31, 1940, the cost of investments was $119,795.24 in excess of the value thereof based on closing market quotations.

(4) Purchases and sales of investment securities during the year aggregated $3,666,642.50 and $858,226.39, respectively.

(5) During the year ended January 31, 1941, the company paid research and advisory fees of $28,531.70 to Manhattan Foundation, Inc.; salaries of $588.26 to officers; and fees of $650.00 to directors. Certain officers or directors of Manhattan Foundation, Inc., are also officers or directors of Manhattan Bond Fund, Inc.

MANHATTAN BOND FUND, INC.

STATEMENT OF PROFIT AND LOSS AND SURPLUS ACCOUNTS FOR THE YEAR ENDED JANUARY 31, 1941

"Ordinary Distribution Account" (As defined in the charter):		
Income—Interest on bonds		$ 427,312.55
Expenses:		
Research and advisory fee (Note 5)	$ 28,531.70	
Custodian's fees and expenses	6,546.10	
Legal and auditing fees	4,337.80	
Transfer agent's fees and expenses	3,152.98	
Federal capital-stock and State franchise taxes	9,026.72	
Distribution disbursing charges	1,876.78	
Reports to stockholders	2,725.16	
Expenses in connection with prospectus	1,973.19	
Registrar's fees and expenses	673.80	
Fees and expenses incidental to complying with various State Blue Sky Laws	1,576.72	
Salaries—Officers and clerical	1,279.43	
Directors' fees	650.00	
Miscellaneous	3,041.90	
Total	$ 65,392.28	
Deduct—Repurchase charges	3,238.50	62,153.78
Net income (exclusive of security profits and losses)		$ 365,158.77
Add—Equalization credits (portion of amounts received for capital stock sold, less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		15,720.81
Total		$ 380,879.58
Deduct:		
Deficit, January 31, 1940	$ 3,445.69	
Cash distributions to stockholders of $.10 a share each paid April 15, July 15 and October 15, 1940 and $.11 a share paid January 15, 1941	366,829.68	370,275.37
Balance, January 31, 1941		$ 10,604.21
Security Profits Surplus (Computed on the basis of identifying the cost of specific certificates):		
Balance, January 31, 1940		$ 8,010.46
Profits from sales of securities (after deducting losses of $55,092.85)		36,332.20
Total		$ 44,342.66
Deduct—Cash distributions to stockholders of $.02 a share each paid April 15, 1940 and January 15, 1941		35,484.50
Balance, January 31, 1941		$ 8,858.16
Paid-in Surplus:		
Balance, January 31, 1940		$4,110,924.85
Amounts received or receivable on subscriptions to capital stock, exclusive of the par value of such stock and after deducting equalization credits ($17,311.57) included in "ordinary distribution account"		3,366,080.20
Total		$7,477,005.05
Deduct:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $3,238.50), exclusive of the par value of such stock and after deducting equalization debits ($1,590.76) charged to "ordinary distribution account"	$429,021.12	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	1,346.27	430,367.39
Balance, January 31, 1941		$7,046,637.66

NOTE: Reference is made to the notes appearing on the preceding page which are an integral part of this statement and should be read in conjunction therewith.

MANHATTAN BOND FUND, INC.

INVESTMENTS—JANUARY 31, 1941

Face Value	*Security*	*Interest Rate*	*Maturity*	*Cost*	*Value Based on Closing Market Quotations*
$311,000.00	Alleghany Corporation, Twenty-Year Collateral Trust Convertible Bonds	5%	1949	$ 211,272.50	$ 255,020.00
86,000.00	American Power & Light Company, Gold Debenture Bonds, American Series	6	2016	82,647.50	90,407.50
86,000.00	*Associated Gas and Electric Corporation, 8-Year Gold Bonds	8	1940	83,947.74	50,310.00
597,000.00	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty-Year Gold Bonds, Series "A"	4½	1964	348,456.25	379,095.00
581,000.00	Central Pacific Railway Company, 35-Year Guaranteed Gold Bonds	5	1960	289,856.25	285,416.25
394,000.00	Central States Power & Light Corporation, First Mortgage First Lien Gold Bonds	5½	1953	297,161.25	371,837.50
16,000.00	Certain-Teed Products Corporation, 20-Year Sinking Fund Gold Debentures, Series "A"	5½	1948	13,346.25	14,320.00
184,000.00	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage Fifty-Year Gold Bonds	5	1960	114,248.75	109,940.00
175,000.00	Childs Company, Fifteen-Year Gold Debenture Bonds	5	1943	126,920.00	59,500.00
297,000.00	Cities Service Company, Convertible Gold Debentures	5	1950	219,258.75	249,480.00
90,000.00	The Cleveland Union Terminals Co., First Mtge. Sinking Fund Gold Bonds, Series "A"	5½	1972	78,471.25	79,987.50
30,000.00	Continental Gas & Electric Corporation, Gold Debentures, Series "A"	5	1958	26,120.00	27,787.50
172,000.00	Electric Power & Light Corporation, Gold Debentures	5	2030	132,697.50	145,770.00
160,000.00	General Public Utilities Co., First Mtge. and Collateral Trust Gold Bonds, Series "A"	6½	1956	156,306.25	162,800.00
223,000.00	General Steel Castings Corporation, First Mortgage Gold Bonds, Series "A"	5½	1949	149,253.75	192,058.75
119,000.00	Gulf, Mobile and Northern Railroad Company, First Mortgage Gold Bonds, Series "C"	5	1950	89,973.75	101,745.00
23,000.00	Gulf, Mobile and Ohio Railroad Co., First and Refunding Mtge. Bonds, Series "B"	4	1975	13,590.00	14,921.25
153,000.00	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds	4	1955	77,802.50	68,276.25
316,000.00	Illinois Central Railroad Company, 40-Year Gold Bonds	4¾	1966	144,577.50	132,720.00
26,000.00	Illinois Power and Light Corporation, 30-Year Sinking Fund Debenture Gold Bonds	5½	1957	22,631.25	26,552.50
214,000.00	International Hydro-Electric System, Convertible Gold Debentures	6	1944	171,133.75	105,930.00
229,000.00	Interstate Power Company, First Mortgage Gold Bonds	5	1957	153,302.50	162,590.00
514,000.00	The Kansas City Southern Railway Co., Refunding and Improvement Mtge. Gold Bonds	5	1950	348,417.50	363,655.00
150,000.00	New England Gas and Electric Association, Convertible Gold Debenture Bonds	5	1947	101,703.75	97,125.00
174,000.00	New England Gas and Electric Association, Convertible Gold Debenture Bonds	5	1948	112,538.75	111,577.50
197,000.00	New England Gas and Electric Association, Convertible Gold Debenture Bonds	5	1950	131,382.50	128,050.00
348,000.00	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Series "A"	4½	2013	200,317.50	210,540.00
243,000.00	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Series "C"	5	2013	149,688.75	158,861.25
528,000.00	The New York, Chicago and St. Louis Railroad Company, Refunding Mortgage Gold Bonds, Series "A"	5½	1974	348,640.00	378,840.00
583,000.00	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds, Series "B"	6	2047	348,417.50	390,610.00
434,000.00	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "C"	4½	1980	270,226.25	300,545.00
59,000.00	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "A"	5	1956	44,435.00	46,315.00
240,000.00	The Southern Indiana Railway Company, First Mortgage Gold Bonds	4	1951	119,938.75	134,400.00
107,000.00	Southern Pacific Company, Forty-Year Gold Bonds	4½	1968	50,852.50	49,487.50
59,000.00	Southern Railway Co., Development and General Mtge. Gold Bonds, Series "A"	6	1956	46,122.50	45,946.25
377,000.00	Southern Railway Co., Development and General Mtge. Gold Bonds, Series "A"	6½	1956	301,812.50	314,795.00
400,000.00	Standard Gas and Electric Company, Gold Debentures, Series "A"	6	1951	270,227.50	310,500.00
93,000.00	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bonds, Series "B"	5	1977	62,376.25	64,170.00
164,000.00	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bonds, Series "C"	5	1979	111,167.50	112,750.00
256,000.00	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bonds, Series "D"	5	1980	171,827.50	176,000.00
155,000.00	The United Light and Power Company, Gold Debentures, Series of 1925	6	1975	134,842.50	137,950.00
244,000.00	The United Light and Power Company, Gold Debentures, Series of 1924	6½	1974	213,220.00	221,430.00
32,000.00	Utah Power & Light Company, Gold Debenture Bonds, Series "A"	6	2022	29,672.50	34,120.00
464,000.00	The Western Union Telegraph Company, Thirty-Year Gold Bonds	5	1960	322,250.00	353,800.00
	Total			$6,893,052.74	$7,227,932.50

*Associated Gas and Electric Corporation is in process of reorganization under the Chandler Act. Principal and interest due on March 15, 1940 have not been paid.

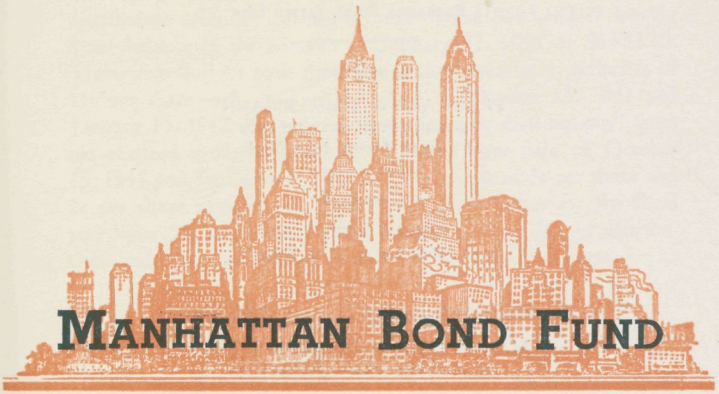
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ANNUAL REPORT

for the Fiscal Year ended January 31, 1942



MANHATTAN BOND FUND

Directory

General Offices

MANHATTAN BOND FUND, INC.
15 Exchange Place, Jersey City

Directors

WILLIAM H. LOUGH
*HARLOW D. SAVAGE
SOLWIN W. SMITH
HUGH W. LONG
THOMAS F. CHALKER

Officers

HUGH W. LONG, President
*HARLOW D. SAVAGE, Vice-President
VERNON S. VIVIAN, Vice-President
THOMAS F. CHALKER, Secretary-Treasurer
OSCAR P. RENTEL, Asst. Sec'y-Asst. Treas.

Custodian of Bonds

COMMERCIAL TRUST COMPANY OF NEW JERSEY
15 Exchange Place, Jersey City

Transfer Agent

THE CORPORATION TRUST COMPANY (NEW JERSEY)
15 Exchange Place, Jersey City

Auditors

PRANKARD & ZIMMERMANN
CERTIFIED PUBLIC ACCOUNTANTS
55 Liberty Street, New York

Counsel

HARRIS BERLACK
1 Wall Street, New York

Research and Advisory Service

MANHATTAN FOUNDATION, INC.
15 Exchange Place, Jersey City

* Deceased February 9, 1942.

The President's Letter

To Our Shareholders:

The detailed statements appearing on subsequent pages, covering the operations of your Corporation for the fiscal year ended January 31, 1942 and its condition as of that date, constitute the most important portion of this annual report. It is suggested, that shareholders examine them carefully. These statements include a Balance Sheet, a list of the bonds owned as at January 31, 1942 and a Statement of Profit and Loss and Surplus Accounts for the fiscal year ended on that date, together with the report of Messrs. Prankard & Zimmermann, Certified Public Accountants.

Comments on some of the figures contained in these statements may be of interest to shareholders. Net assets of $8,452,628.08 and the 1,194,226 shares outstanding once again represent larger figures than any previously reported to shareholders.

Bond interest earned during the year amounted to $574,971.35 and represented payment of full interest on each bond owned. Net operating expenses were $80,495.79. Total net credits to the "ordinary distribution account" were $512,066.57 after including $6,986.80 of "net equalization credits" and a "carry-over" balance of $10,604.21. Distributions to shareholders from the "ordinary distribution account" during the year totaled $505,183.47 leaving a net balance in the account on January 31, 1942 of $6,883.10. These distributions took the form of four quarterly payments of 11c per share each on April 15, July 15, October 15, 1941 and January 15, 1942. In addition "extraordinary distributions" from net realized profits on sales of securities were paid on October 15, 1941 and January 15, 1942 in the amounts of 5c per share and 2c per share respectively. Thus, total distributions for the fiscal year were 51c per share. There follows a tabulation of distributions and ranges of offering prices for the past three years.

Calendar Years	Sources of Distributions: Net Interest Income	Sources of Distributions: Net Realized Profits	Total	Range of Offering Prices: High	Range of Offering Prices: Low
1939	$.46	$.07	$.53	$8.31	$6.89
1940	.41	.09	.50	7.84	5.98
1941	.44	.07	.51	8.21	7.07

These figures have been stated on a calendar year rather than a fiscal year basis since most shareholders compute their taxes by calendar years. Distributions in 1941 were all derived from net investment income or net profits on sales of securities. Therefore, the full amount received should be reported by shareholders in their income tax returns as "dividends received".

The period under review, presented a financial picture similar to that which prevailed in the year previous. Industrial production continued to expand, taking the Federal Reserve Board Index of Production to new high figures. Corporate earnings in general showed increases in 1941 over the satisfactory figures recorded in 1940 although there was considerable divergence both between different branches of industry and between individual companies. Again, however, increased operations and earnings failed to find reflection in improved securities prices. Continuing the trend which has been generally in evidence since shortly after the beginning of the war, the prices of equity stocks as measured by the Dow-Jones Industrial average receded from 124.13 on January 31, 1941 to 109.11 on January 31, 1942, or 12.1%. Such divergence between earnings and securities prices must be ascribed to the dislocations characteristic of a war-time economy and to the mounting burden of taxes required to furnish a part at least of the sinews of war.

Evidently the tax question played an important part in stock performance, since bonds of the character of those owned by the FUND were able to withstand the declining tendency and even to record a slight advance. Asset value per share of the FUND advanced from $7.07 to $7.08 during the period *without taking into account distributions of fifty-one cents per share.* If adjustment is made for these distributions and the Dow-Jones average is credited with dividends of 5% on its January 31, 1941 figure, the results are a *loss* of 7.1% for the average and a *gain* of 7.3% for the FUND.

It may well be that prices of many equities at their present levels largely or fully discount both future uncertainties and the burden of heavier taxes still to come. This, however, is a question which primarily affects the investor in stocks rather than the bond

holder. Once more the rising tide of income taxes makes it appropriate for us to point out that bond interest, being in effect an operating expense, is deducted before income taxes and excess profits taxes are computed. Due to the increases in earnings before taxes experienced by the great majority of the companies whose bonds are held by the FUND, the average interest coverage on these bonds in 1941 reached the highest figure that has existed during the life of your Corporation.

Your management has continued to follow a policy of approximately full investment in bonds of liberal yield and believes that present circumstances warrant the continuance of such a policy for the discernible future. In the selection of bonds for purchase, sale or retention, your management and the research organization retained by the FUND will continue to endeavor to give proper consideration to the changing factors arising from the conversion of American industry to a full war basis.

Respectfully submitted,

HUGH W. LONG

President

By Order of the Board of Directors.

February 25, 1942

IN MEMORIAM

It is with deep sorrow that we record the death on February 9, 1942 of Colonel Harlow D. Savage, Vice-President and Director of the FUND. In his distinguished business career, Colonel Savage had been chief executive of several important American corporations. His ability, his sense of duty, and his personal character commanded both the respect and the affection of his associates.

Manhattan Bond Fund, Inc.

Face Value	Security
$529,000	Alleghany Corporation, Twenty-Year Collateral Trust Convertible Bonds
662,000	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty Year Coupon Bonds, Series "A"
291,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year Gold Bonds
203,000	The Baltimore and Ohio Railroad Company, Pittsburgh, Lake Erie and West Virginia Refunding Mortgage Gold Bonds
215,000	Canadian Pacific Railway Company, Twenty-Five Year Collateral Trust Gold Bonds
698,000	Central Pacific Railway Company, Thirty-Five-Year Guaranteed Gold Bonds
30,000	Central States Power & Light Corporation, First Mortgage and First Lien Gold Bonds
136,000	Certain-Teed Products Corporation, Twenty-Year Sinking Fund Gold Debentures, Series
58,000	Chicago Great Western Railway Company, First Mortgage Bonds, Series "A"
184,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage Year Gold Bonds
173,000	Childs Company, Fifteen-Year Gold Debentures
170,000	Cities Service Company, Convertible Gold Debentures
99,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds, Series
30,000	Continental Gas & Electric Corporation, Gold Debentures, Series "A"
35,000	Electric Power & Light Corporation, Gold Debentures
160,000	General Public Utilities Company, First Mortgage and Collateral Trust Gold Bonds, Series
75,000	General Steel Castings Corporation, First Mortgage Gold Bonds, Series "A"
33,000	Gulf, Mobile and Northern Railroad Company, First Mortgage Gold Bonds, Series "C"
23,000	Gulf, Mobile and Ohio Railroad Company, First and Refunding Mortgage Bonds, Series
224,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
293,000	Illinois Central Railroad Company, Forty Year Gold Bonds
297,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
26,000	Illinois Power and Light Corporation, 30-Year Sinking Fund Debenture Gold Bonds
460,000	Interstate Power Company, First Mortgage Gold Bonds
574,000	The Kansas City Southern Railway Co., Refunding and Improvement Mortgage Gold B
156,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
192,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
220,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
81,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year Bonds, Series
81,000	New Orleans and Northeastern Railroad Company, Series "A" Refunding and Improvement Mortgage Gold Bonds
373,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds, Series
296,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds, Series
587,000	The New York, Chicago and St. Louis Railroad Company, Refunding Mortgage Gold Bo Series "A"
654,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds, Series
546,000	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "C"
65,000	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "A"
273,000	The Southern Indiana Railway Company, First Mortgage Gold Bonds
88,000	Southern Pacific Company, Forty-Year Gold Bonds
30,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Series "A"
456,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Series "A"
549,000	Standard Gas and Electric Company, Gold Debentures, Series "A"
99,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bo Series "B"
214,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bo Series "C"
274,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Gold Bo Series "D"
148,000	The United Light and Power Company, Gold Debentures, Series of 1925
273,000	The United Light and Power Company, Gold Debentures, Series of 1924
451,000	The Western Union Telegraph Company, Thirty-Year Gold Bonds
$11,784,000	

Investments, January 31, 1942

	Interest Rate	*Maturity*	*Cost*	*Value Based on Closing Market Quotations*
e Bonds	5 %	1949	$ 381,271.25	$ 395,427.50
g Fifty Year Coupon Gold				
	4½	1964	391,267.50	433,610.00
Year Gold Bonds	4	1948	168,600.00	178,965.00
e and West Virginia System,				
	4	1951	102,375.00	107,082.50
Trust Gold Bonds	5	1954	169,022.50	187,050.00
Gold Bonds	5	1960	351,033.75	395,242.50
r t Lien Gold Bonds	5½	1953	22,200.00	30,037.50
old Debentures, Series "A"	5½	1948	115,570.00	116,960.00
Series "A"	4	1988	37,302.50	37,410.00
d Refunding Mortgage Fifty				
	5	1960	114,248.75	123,740.00
	5	1943	125,340.00	66,172.50
	5	1950	125,613.75	138,125.00
Fund Gold Bonds, Series "A"	5½	1972	86,118.75	82,170.00
"A"	5	1958	26,120.00	26,887.50
	5	2030	27,976.25	30,975.00
Trust Gold Bonds, Series "A"	6½	1956	156,306.25	163,600.00
Series "A"	5½	1949	53,085.00	73,125.00
old Bonds, Series "C"	5	1950	25,513.75	29,700.00
Mortgage Bonds, Series "B"	4	1975	13,590.00	16,502.50
nds	4	1955	107,491.25	100,520.00
	4¾	1966	135,122.50	130,385.00
nds	5	1955	153,755.00	160,380.00
enure Gold Bonds	5½	1957	22,631.25	25,870.00
	5	1957	328,612.50	348,450.00
ement Mortgage Gold Bonds	5	1950	391,237.50	413,280.00
benture Bonds	5	1947	105,418.75	81,900.00
benture Bonds	5	1948	124,876.25	100,800.00
benture Bonds	5	1950	145,710.00	115,500.00
Fifty-Year Bonds, Series "A"	5	1983	60,681.25	62,370.00
Refunding and Improvement				
	4½	1952	55,553.75	65,610.00
Mortgage Bonds, Series "A"	4½	2013	214,846.25	193,493.75
Mortgage Bonds, Series "C"	5	2013	181,243.75	169,830.00
nding Mortgage Gold Bonds,				
	5½	1974	393,031.25	463,730.00
Mortgage Bonds, Series "B"	6	2047	395,810.00	438,180.00
Series "C"	4½	1980	345,186.25	333,060.00
Series "A"	5	1956	48,742.50	45,175.00
Bonds	4	1951	139,418.75	151,515.00
	4½	1968	45,672.50	46,640.00
Gold Bonds, Series "A"	6	1956	23,593.75	25,725.00
Gold Bonds, Series "A"	6½	1956	369,555.00	413,250.00
"	6	1951	395,808.75	395,280.00
ding Mortgage Gold Bonds,				
	5	1977	66,843.75	66,825.00
ding Mortgage Gold Bonds,				
	5	1979	144,827.50	143,380.00
ding Mortgage Gold Bonds,				
	5	1980	184,258.75	183,237.50
of 1925	6	1975	129,130.00	150,590.00
of 1924	6½	1974	240,988.75	277,777.50
ds	5	1960	316,911.25	377,712.50
			$7,759,513.75	$8,113,248.75

Auditors' Report

New York, N. Y.
February 11, 1942.

To the Board of Directors and the Stockholders,
Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at January 31, 1942 and the related statement of profit and loss and surplus accounts for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Securities owned at January 31, 1942, as shown on the accompanying schedule of investments (except securities purchased, not yet received) were counted by us and in addition we obtained a confirmation from the custodian that it held such securities for the account of the Company on that date. The securities purchased, not yet received were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statement of profit and loss and surplus accounts, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at January 31, 1942 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRANKARD & ZIMMERMANN
Certified Public Accountants

Prankard & Zimmermann

Balance Sheet, January 31, 1942

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

ASSETS

Cash on Deposit		$ 162,323.75
Investments—At value based on closing market quotations (Cost of specific certificates held, $7,759,513.75)		8,113,248.75
Receivable for Interest Purchased and Interest Accrued		170,237.72
Receivable from Wholesale Distributor for Capital Stock Sold, Not Yet Delivered		44,455.80
Deferred Charges		1,867.89
Total		$8,492,133.91

LIABILITIES

Payable for Capital Stock Repurchased, Not Yet Received		$ 6,396.08
Payable for Securities Purchased, Not Yet Received		21,432.88
Accounts Payable and Accrued Taxes (Note 1)		11,676.87
Capital Stock and Surplus (Equivalent to $7.08 per share on 1,194,226 shares outstanding):		
Capital stock of $.10 par value:		
Authorized 7,500,000 shares—Issued or subscribed (less 2,646 shares in treasury) 1,194,226 shares (Note 2)	$ 119,422.60	
Paid-in surplus	7,955,450.45	
"Ordinary distribution account" balance	6,883.10	
Security profits surplus	17,136.93	
Excess of value of investments based on closing market quotations over cost thereof	353,735.00	8,452,628.08
Total		$8,492,133.91

Notes to Financial Statements:

(1) No Federal income tax has been accrued for the fiscal year ended January 31, 1942 since the Company believes that it has distributed all of its taxable income for such year in taxable dividends and has qualified as a "mutual investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($264.60) has been charged against capital stock account.

(3) The Company determines the cost of investments on the basis of the cost of the specific certificates held. The value of such investments, based on closing market quotations was $353,735.00 at January 31, 1942, and $334,879.76 at January 31, 1941 in excess of such cost.

(4) Purchases and sales of investment securities during the year aggregated $2,004,376.25 and $1,227,453.18 respectively.

(5) During the year ended January 31, 1942, the Company paid research and advisory fees of $40,480.28 to Manhattan Foundation, Inc.; salaries of $3,882.68 to officers; and fees of $940.00 to directors. Certain officers or directors of Manhattan Foundation, Inc. are also officers or directors of Manhattan Bond Fund, Inc.

Statement of Profit and Loss and Surplus Accounts

FOR THE YEAR ENDED JANUARY 31, 1942

"Ordinary Distribution Account" (As defined in the charter):		
Income—Interest on bonds		$ 574,971.35
Expenses:		
Research and advisory fee (Note 5)	$ 40,480.28	
Custodian's fees and expenses	8,318.56	
Legal and auditing fees	5,177.76	
Transfer agent's fees and expenses	3,093.50	
Federal capital-stock and State franchise taxes	9,636.00	
Distribution disbursing charges	2,832.06	
Reports to stockholders	2,588.09	
Expenses in connection with prospectus	1,101.75	
Registrar's fees and expenses	490.50	
Fees and expenses incidental to complying with various State Blue Sky Laws	928.84	
Salaries—Officers and clerical	7,254.64	
Directors' fees	940.00	
Miscellaneous	3,448.30	
Total	$ 86,290.28	
Deduct—Repurchase charges	5,794.49	80,495.79
Net income (exclusive of security profits and losses)		$ 494,475.56
Add:		
Balance, January 31, 1941		10,604.21
Equalization credits (portion of amounts received for capital stock sold, less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		6,986.80
Total		$ 512,066.57
Deduct—Cash distributions to stockholders of $.11 a share each paid April 15, July 15, October 15, 1941 and January 15, 1942		505,183.47
Balance, January 31, 1942		$ 6,883.10
Security Profits Surplus (Computed on the basis of identifying the cost of specific certificates):		
Balance, January 31, 1941		$ 8,858.16
Profits from sales of securities (after deducting losses of $126,202.08)		89,537.94
Total		$ 98,396.10
Deduct—Cash distributions to stockholders of $.05 a share paid October 15, 1941 and $.02 a share paid January 15, 1942		81,259.17
Balance, January 31, 1942		$ 17,136.93
Paid-In Surplus:		
Balance, January 31, 1941		$7,046,637.66
Amounts received or receivable on subscriptions to capital stock, exclusive of the par value of such stock and after deducting equalization credits ($11,894.52) included in "ordinary distribution account"		2,016,525.82
Total		$9,063,163.48
Deduct:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $5,794.49), exclusive of the par value of such stock and after deducting equalization debits ($4,907.72) charged to "ordinary distribution account"	$1,107,380.88	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	332.15	1,107,713.03
Balance, January 31, 1942		$7,955,450.45

NOTE: Reference is made to the notes appearing on the balance sheet which are an integral part of this statement and should be read in conjunction therewith.

This Report is authorized only for distribution to shareholders and others who have received a copy of the official prospectus of Manhattan Bond Fund, Inc., by which all offerings are made.

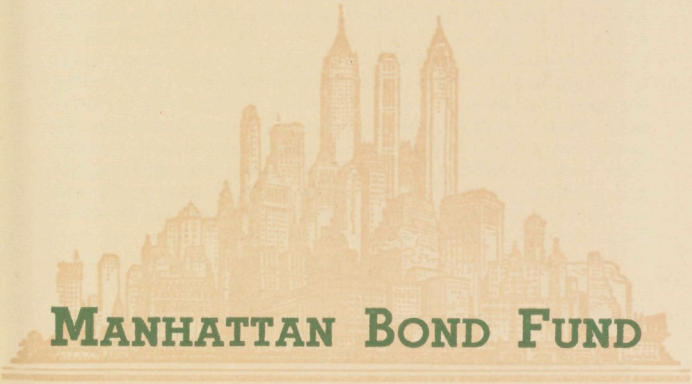
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ANNUAL REPORT

for the Fiscal Year ended January 31, 1943



MANHATTAN BOND FUND

The President's Letter

To Our Shareholders:

There appear on subsequent pages of this report detailed statements covering the operations of your Corporation for the fiscal year ended January 31, 1943 and its condition as of that date together with the report of your Corporation's auditors Messrs. Prankard & Zimmermann, Certified Public Accountants. These statements include a balance sheet, a list of the bonds owned as of January 31, 1943 and a statement of profit and loss and surplus accounts for the fiscal year. While some of the figures appearing therein will be mentioned in this letter, we urge that shareholders examine the statements in detail.

GROWTH OF THE FUND

The net assets of the Fund stood at $11,592,088.64 on January 31, 1943 as against $8,452,628.08 at the close of the previous fiscal year and $9,000,728.28 on July 31, 1942, the end of the most recent six months fiscal period. Both the net asset figure and the 1,612,635 shares outstanding on January 31, 1943 represent continued vigorous growth by your Corporation and each is a new high for the life of the Fund up to that date.

INCOME AND EXPENSES

All of the bonds owned during the year paid their interest in full when due and all have unbroken records in that respect since their dates of issuance. Bond interest earned during the fiscal year amounted to $692,333.71, which, with net equalization credits and carry-over balance from the previous year totaling $21,518.77, resulted in gross credits to the Ordinary Distribution account of $713,852.48. Net operating expenses for the year amounted to $99,014.16 and left $614,838.32 available for the ordinary quarterly distributions. Four quarterly dividends were paid during the fiscal year from this account totaling $601,922.38, or forty-three cents per share, and leaving a carry-over balance in the amount of $12,915.94. In addition three extraodinary distributions totaling $113,814.44, or $.08 per share, were declared and paid. These payments were made from the security profit and loss account and represent net profits on the sale of securities. This account showed a closing balance of $7,762.33.

PROGRESS SINCE PREVIOUS REPORT

At the time of our previous report for the six months ended July 31, 1942, securities prices were but little above the low point reached late in April and, while bonds had suffered less severely than stocks in the decline, they had not been unaffected and the investments of the Fund showed a market value which was $199,955.50 less than cost. Since that time, the forces influencing

securities price levels have been more favorable. The war has turned in favor of the United Nations on all fronts, the Revenue Act of 1942 has been passed with terms considerably less burdensome than feared earlier and corporate earnings for the year were well maintained even though below the record levels of 1941 in most cases. As of January 31, 1943, the depreciation of $199,955.50 previously mentioned had been replaced by appreciation of $649,103.25, a net improvement of $849,058.75. During this same six months, the asset value per share of the Fund advanced from $6.65 to $7.19 *without taking into account distributions of* $.26 *per share.*

CORPORATE TAXATION

As stated previously, the Revenue Act of 1942 was less burdensome than the earlier proposals of the Treasury Department had indicated. Nevertheless, rates were of necessity advanced sharply, the corporate surtax rate advancing from 7% to 16% and the excess profits impost rising from a maximum of 60% to 90%. These rates proved more than sufficient to off-set increases in the gross incomes of most Corporations and, consequently, resulted in generally lower net earnings for stocks. The Railroads, with their large invested capital positions, were one outstanding exception to this rule and in a great many instances their net earnings after taxes were the largest in their histories.

While larger gross income or net income before taxes frequently failed to sustain earnings on stocks, this larger gross did serve to increase the margin of interest coverage for most bonds, since bond interest is deducted before income taxes are computed. As a result, the average interest coverage for the bonds in the portfolio of the Fund was greater in 1943 than in any previous year during the Fund's existence.

DEBT REDUCTION

The large earnings currently enjoyed by the Railroads are permitting many roads to make substantial reductions in their outstanding debt and in their annual interest charges through purchases of their own bonds. This policy is being followed with the express approval and in fact upon the definite recommendation of the Interstate Commerce Commission. While full details of such operations in 1942 are not yet available, it is known that many millions of dollars were so employed and it seems certain that considerably larger purchases will be made in 1943, since legislation passed in the latter part of 1942 now permits the Roads to buy their bonds at discounts without paying taxes on the amount of those discounts.

Obviously this buying in of indebtedness strengthens not only the specific bond issues purchased but also all the other obligations of the issuer.

PORTFOLIO OPERATIONS

There follows a list of the bonds added to or eliminated from the portfolio during the fiscal year:

ADDITIONS

American Power & Light Company, Debenture 6s 2016
Brooklyn Union Gas Company Debenture 5s 1950
Chicago Burlington & Quincy R. R. Co., 1st Series B 4½ 1977
Cleveland Union Terminal Company First 5s 1973
Southern Pacific Company 4½s 1969
Southwestern Power & Light Co., Debenture Series A 6s 2022
Utah Power & Light Corporation Debenture Series A 6s 2022
United States Treasury Notes, Series B 1½s 1946

ELIMINATIONS

Central States Power & Light Corporation First Mortgage 5½ 1953
Childs Company Debenture 5s 1943
Electric Power & Light Corporation Debenture 5s 1958
General Public Utilities Company First Mortgage Series A 6½ 1956
General Steel Castings Corporation First Mortgage Series A 5½s 1949
Southern Pacific Company 4½ 1968
Southern Railway Company Developement & General Mortgage Series A 6s 1956
United Light & Power Co., Debentures Series 1925 6s 1975
United Light & Power Co., Debentures Series 1924 6½s 1974

Stockholders have been notified of these changes shortly after they occurred through the medium of the leaflet which is mailed monthly. Portfolio management is carried on not only by these additions and eliminations but also by changes in the relative percentage weightings assigned to the various bonds held from time to time.

TAX INFORMATION

Your Corporation intends to file its tax return as a "regulated" investment company, thus gaining for the Fund the tax advantages available to such companies. These advantages are particularly important to a Bond Fund since its net income from bond interest would otherwise be subject to full normal and surtax rates (40%), whereas it pays no income taxes as a regulated company if it meets certain conditions and pays all of its net income to shareholders in taxable dividends.

We set forth below the allocation of our last five dividends as we believe they should be reported in the shareholder's tax return. Shareholders who report on a calendar year basis should include only the dividends paid them during the calendar year 1942.

The Revenue Act of 1941 governs the tax status of the distribution made by the corporation on January 15, 1942 and, therefore, 100% of that distribution is taxable as an ordinary dividend. The tax status of the dividends paid during the fiscal year ended January 31, 1943 is governed by the Revenue Act of 1942 and the amount of each distribution must be segregated into the amounts taxable as ordinary dividends and amounts taxable as capital gains dividends. A capital gains dividend may be treated in the shareholder's income tax return in the same manner as gains on securities held for longer than six months. Our auditors are of the opinion that the proper segregation is as follows:

	Cents Per Share		
	Total dividend	Taxable as ordinary dividend	Taxable as Capital gains dividend
January 15, 1942	$.13	$.1300	$.0000
April 15, 1942	.14	.1129	.0271
July 15, 1942	.11	.1100	.0000
October 15, 1942	.13	.1119	.0181
Total calendar year 1942	$.51	$.4648	$.0452
January 15, 1943	$.13	$.1029	$.0271

GENERAL

Your management believes that the basic position of bonds of the character held in the portfolio of the Fund is being consistently improved both by current earnings and by the program of debt reduction which is being followed by a large and increasing number of issuing companies. It also believes that, under current conditions in the investment market, this type of bonds offers the attraction of liberal yield without the imposition of undue risk, particularly when such bonds are held in a sizeable group rather than purchased and held individually.

The management is always pleased to receive and to answer, to the best of its ability, questions from interested shareholders regarding any phase of the operations of the Fund.

HUGH W. LONG
President

By Order of the Board of Directors.

February 15, 1943

Manhattan Bond Fund, Inc.

Face Value	Security
$729,000	Alleghany Corporation, Twenty-Year Collateral Trust Convertible Bonds
512,000	American Power & Light Company, Gold Debenture Bonds
810,000	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty-Year Bonds, Series "A"
372,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year Gold Bonds
600,000	The Baltimore and Ohio Railroad Company, Pittsburgh, Lake Erie and West Virginia Refunding Mortgage Gold Bonds
189,000	Brooklyn Union Gas Company, Twenty-Year Debenture Bonds
31,000	Canadian Pacific Railway Company, Twenty-Five Year Collateral Trust Gold Bonds
964,000	Central Pacific Railway Company, Thirty-Five-Year Guaranteed Gold Bonds
241,000	Certain-Teed Products Corporation, Twenty-Year Sinking Fund Gold Debentures
764,000	Chicago, Burlington & Quincy Railroad Company, First and Refunding Mortgage Bonds, Series "B"
83,000	Chicago Great Western Railway Company, First Mortgage Bonds, Series "A"
184,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage Year Gold Bonds
335,000	Cities Service Company, Convertible Gold Debentures
128,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds
225,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds
108,000	Continental Gas & Electric Corporation, Gold Debentures, Series "A"
33,000	Gulf, Mobile and Northern Railroad Company, First Mortgage Gold Bonds, Series
23,000	Gulf, Mobile and Ohio Railroad Company, First and Refunding Mortgage Bonds,
234,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
293,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
533,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
26,000	Illinois Power and Light Corporation, 30-Year Sinking Fund Debenture Gold Bonds
460,000	Interstate Power Company, First Mortgage Gold Bonds
770,000	The Kansas City Southern Railway Co., Refunding and Improvement Mortgage
156,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
192,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
220,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
322,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year Bonds
31,000	New Orleans and Northeastern Railroad Company, Series "A" Refunding and Mortgage Gold Bonds
428,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds
507,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds
762,000	The New York, Chicago and St. Louis Railroad Company, Refunding Mortgage Series "A"
863,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds
778,000	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "C"
65,000	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series "A"
273,000	The Southern Indiana Railway Company, First Mortgage Gold Bonds
63,000	Southern Pacific Company, Gold Bonds
538,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Ser
23,000	Southwestern Power & Light Company, Gold Debenture Bonds, Series "A"
559,000	Standard Gas and Electric Company, Gold Debentures, Series "A"
136,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Series "B"
308,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Series "C"
356,000	The Texas and Pacific Railway Company, General and Refunding Mortgage Series "D"
207,000	Utah Power & Light Company, Gold Debenture Bonds, Series "A"
438,000	The Western Union Telegraph Company, Thirty-Year Gold Bonds
100,000	United States of America Treasury Notes, Series "B"
	Total

Investments, January 31, 1943

	Interest Rate	*Maturity*	*Cost*	*Value Based on Closing Market Quotations*
Bonds	5 %	1949	$ 524,911.25	$ 564,975.00
	6	2016	496,735.00	503,040.00
Fifty-Year Coupon Gold				
	4½	1964	488,503.75	536,625.00
ear Gold Bonds	4	1948	218,475.00	229,245.00
nd West Virginia System,				
	4	1951	306,652.50	319,500.00
	5	1950	152,012.50	168,682.50
Trust Gold Bonds	5	1954	24,307.50	30,690.00
old Bonds	5	1960	499,544.00	573,580.00
d Debentures, Series "A"	5½	1948	206,728.75	231,360.00
ing Mortgage Gold Coupon				
	4½	1977	525,213.75	534,800.00
eries " "	4	1988	53,927.50	58,100.00
Refunding Mortgage Fifty				
	5	1960	114,248.75	126,960.00
	5	1950	256,170.00	295,637.50
und Gold Bonds, Series "A"	5½	1972	108,490.00	99,840.00
und Gold Bonds, Series "B"	5	1973	150,961.25	154,125.00
d Bonds, Series "C"	5	1958	88,032.50	94,500.00
rtgage Bonds, Series "B"	5	1950	25,513.75	29,700.00
ds	4	1975	13,590.00	16,531.25
ds	4	1955	112,360.00	118,755.00
ds	4¼	1966	135,122.50	133,315.00
ds	5	1955	285,473.25	313,137.50
ture Gold Bonds	5½	1957	22,631.25	25,480.00
	5	1957	328,612.50	362,825.00
ent Mortgage Gold Bonds	5	1950	530,543.25	569,800.00
nture Bonds	5	1947	105,418.75	85,800.00
nture Bonds	5	1948	124,876.25	105,600.00
nture Bonds	5	1950	145,710.00	121,000.00
fty-Year Bonds, Series "A"	5	1983	244,840.00	258,405.00
funding and Improvement				
	4½	1952	21,428.75	27,435.00
Mortgage Bonds, Series "A"	4½	2013	240,691.25	217,745.00
Mortgage Bonds, Series "C"	5	2013	293,761.25	281,385.00
ing Mortgage Gold Bonds,				
	5½	1974	529,679.50	609,600.00
Mortgage Bonds, Series "B"	6	2047	533,817.00	587,918.75
ries " "	4½	1980	486,006.25	473,607.50
ries "A"	5	1956	48,742.50	50,862.50
onds	4	1951	139,418.75	159,022.50
	4½	1969	34,211.25	35,358.75
old Bonds, Series "A"	6½	1956	447,123.75	507,737.50
s "A"	6	2022	22,367.50	22,367.50
	6	1951	402,263.75	394,095.00
ng Mortgage Gold Bonds,				
	5	1977	91,528.75	97,750.00
ng Mortgage Gold Bonds,				
	5	1979	207,414.00	220,990.00
ng Mortgage Gold Bonds,				
	5	1980	236,512.00	253,205.00
	6	2022	195,517.50	200,790.00
	5	1960	311,806.25	378,870.00
	1½	1946	100,000.00	100,250.00
			$10,631,895.50	$11,280,998.75

Auditors' Report

To the Board of Directors and the Stockholders, Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at January 31, 1943 and the related statement of income and security profit and loss, paid-in surplus and supplementary information for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence by methods and to the extent we deemed appropriate. Securities owned at January 31, 1943, as shown on the accompanying schedule of investments (except securities purchased, not yet received) were counted by us and in addition we obtained a confirmation from the custodian that it held such securities for the account of the Company on that date. The securities purchased, not yet received, were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statement of income and security profit and loss, paid-in surplus and supplementary information, including notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at January 31, 1943 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRANKARD & ZIMMERMANN
Certified Public Accountants

New York, N. Y.
February 13, 1943.

Balance Sheet, January 31, 1943

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

ASSETS

Cash on Deposit		$ 59,685.38
Investments—At value based on closing market quotations (Cost of specific certificates held, $10,631,895.50)		11,280,998.75
Receivable for Interest Accrued and Interest Purchased		235,172.43
Receivable from Wholesale Distributor for Capital Stock Sold, Not Yet Delivered		63,910.27
Deferred Charges		2,417.77
Total		$11,642,184.60

LIABILITIES

Payable for Capital Stock Repurchased, Not Yet Received		$ 4,577.00
Payable for Securities Purchased, Not Yet Received		32,463.61
Accrued Taxes and Accounts Payable (Note 1)		13,055.35
Capital Stock and Surplus (Equivalent to $7.19 per share on 1,612,635 shares outstanding):		
Capital stock of $.10 par value:		
Authorized 7,500,000 shares — Issued or subscribed (less 640 shares in treasury) 1,612,635 shares (Note 2)	$ 161,263.50	
Paid-in surplus	10,761,043.62	
"Ordinary distribution account" balance	12,915.94	
Security profits surplus	7,762.33	
Excess of value of investments based on closing market quotations over cost thereof	649,103.25	11,592,088.64
Total		$11,642,184.60

Notes to Financial Statements:

(1) No Federal income tax has been accrued for the year ended January 31, 1943 since the Company believes that it has distributed all of its taxable income for such year in taxable dividends (including capital gain dividends) and has qualified as a "regulated investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($64.00) has been charged against capital stock account.

Statement of Income and Security Profit & Loss

FOR THE YEAR ENDED JANUARY 31, 1943

"Ordinary Distribution Account" (As defined in the charter):		
Income—Interest on bonds		$ 692,333.71
Expenses:		
Research and advisory fee	$ 47,235.56	
Federal capital-stock and State franchise taxes	10,686.00	
Custodian's fees and expenses	9,888.08	
Salaries—Officers and clerical	8,118.90	
Legal and auditing fees	6,381.82	
Transfer agent's fees and expenses	3,763.69	
Reports to stockholders	3,544.64	
Distribution disbursing charges	3,510.04	
Expenses in connection with prospectus	1,156.00	
Fees and expenses incidental to complying with various State Blue Sky Laws	842.08	
Directors' fees	860.00	
Registrar's fees and expenses	666.00	
Miscellaneous	4,386.17	
Total	$101,038.98	
Deduct—Repurchase charges	2,024.82	99,014.16
Net income (exclusive of security profits and losses)		$ 593,319.55
Add:		
Balance, January 31, 1942		6,883.10
Equalization credits (portion of amounts received for capital stock sold, less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		14,635.67
Total		$ 614,838.32
Deduct—Cash distributions to stockholders of $.11 a share each paid April 15, July 15 and October 15, 1942 and $.10 a share paid January 15, 1943		601,922.38
Balance, January 31, 1943		$ 12,915.94
Security Profits Surplus (Computed on the basis of identifying the cost of specific certificates):		
Balance, January 31, 1942		$ 17,136.93
Net profit from sales of securities (after deducting losses of $48,153.54)		104,440.84
Total		$ 121,577.77
Deduct—Cash distributions to stockholders of $.02 a share paid October 15, 1942 and $.03 a share each paid April 15, 1942 and January 15, 1943		113,815.44
Balance, January 31, 1943		$ 7,762.33
Excess of Value of Investments Based on Closing Market Quotations Over Cost Thereof:		
Balance, January 31, 1942		$ 353,735.00
Increase during the year		295,368.25
Balance, January 31, 1943		$ 649,103.25

Statement of Paid-in Surplus

FOR THE YEAR ENDED JANUARY 31, 1943

Balance, January 31, 1942		$7,955,450.45
Amounts received or receivable on subscriptions to capital stock, exclusive of the par value of such stock and after deducting equalization credits ($16,601.87) included in "ordinary distribution account"		3,263,109.99
Total		$11,218,560.44
Deduct:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $2,024.82), exclusive of the par value of such stock and after deducting equalization debits ($1,966.20) charged to "ordinary distribution account"	$455,599.82	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	1,917.00	457,516.82
Balance, January 31, 1943		$10,761,043.62

SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JANUARY 31, 1943

PURCHASES AND SALES OF INVESTMENT SECURITIES

Purchases and sales of investment securities, other than Government securities, aggregated $3,885,605.50 and $1,217,664.59, respectively.

COMPENSATION OF OFFICERS AND DIRECTORS

During the year ended January 31, 1943, the Company paid research and advisory fees of $47,235.56 to Manhattan Foundation, Inc., salaries of $4,088.46 to officers, and fees of $860.00 to directors. Certain directors of Manhattan Foundation, Inc. are also officers or directors of Manhattan Bond Fund, Inc.

This Report is authorized only for distribution to shareholders and others who have received a copy of the official prospectus of Manhattan Bond Fund, Inc., by which all offerings are made.

Directory

General Offices

MANHATTAN BOND FUND, INC.
15 Exchange Place, Jersey City

Directors

WILLIAM H. LOUGH — SOLWIN W. SMITH
CLARENCE J. REESE — HUGH W. LONG
THOMAS F. CHALKER

Officers

HUGH W. LONG, President
VERNON S. VIVIAN, Vice-President
THOMAS F. CHALKER, Secretary-Treasurer
OSCAR P. RENTEL, Asst. Sec'y-Asst. Treas.

Custodian of Bonds

COMMERCIAL TRUST COMPANY OF NEW JERSEY
15 Exchange Place, Jersey City

Transfer Agent

THE CORPORATION TRUST COMPANY (NEW JERSEY)
15 Exchange Place, Jersey City

Auditors

PRANKARD & ZIMMERMANN
CERTIFIED PUBLIC ACCOUNTANTS
55 Liberty Street, New York

Counsel

HARRIS BERLACK
1 Wall Street, New York

Research and Advisory Service

MANHATTAN FOUNDATION, INC.
15 Exchange Place, Jersey City

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ANNUAL REPORT

For the Fiscal Period ended October 31, 1943



MANHATTAN BOND FUND

Directory

General Offices

MANHATTAN BOND FUND, INC.
15 Exchange Place, Jersey City

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HARRIS BERLACK
1 Wall Street, New York

Research and Advisory Service

MANHATTAN FOUNDATION, INC.
15 Exchange Place, Jersey City

The President's Letter

To Our Shareholders:

There appear on subsequent pages of this report detailed statements covering the operations of your Corporation for the nine months ended October 31, 1943 and its condition as of that date, together with a report of your Corporation's auditors, Messrs. Prankard & Zimmermann, Certified Public Accountants.

While covering only nine months, this report is, in effect, an annual report. With the consent of the Internal Revenue Department, the Directors have fixed the fiscal year end of the Company at October 31 instead of on January 31 as previously. Prior to this change, not all of the dividend payments made by the Fund in its fiscal year fell in the same calendar year, which complicated tax accounting and made it more difficult to give timely information to stockholders concerning the tax status of their dividends. Since dividends are paid on the fifteenth days of January, April, July and October, the disbursements for each fiscal year will henceforth fall in one calendar year.

RECORD OF PROGRESS

Since the close of the previous fiscal year on January 31, 1943 your Corporation has enjoyed substantial growth, not only in net assets, but in shareholders and in shares outstanding. In the nine months' period covered by this report, total net asset value advanced from $11,592,088.64 to $14,789,599.14, investment holdings at market increased from $11,280,998.75 to $14,474,-163.75 and excess of market value of investments over cost, or "unrealized appreciation", rose from $649,103.25 to $1,889,822.75. Each of these figures is larger than any previously reported to shareholders during the life of the Fund.

INCOME AND EXPENSES

Bond interest earned during the nine months amounted to $623,535.31. All bonds owned paid full interest when due. Net operating expenses amounted to $92,495.65, and the amount available for distribution in the Ordinary Distribution Account was $553,649.40, after adjustment for opening balance and net equalization credits. Three quarterly payments, totaling $546,813.26, were made from this account in the form of ordinary distributions of eleven cents per share each on April 15 and July 15, and ten cents per share on October 15. In addition, extraordinary distributions were declared and paid on each of these dates, the amounts being three cents per share, seven cents per share and fifteen cents per share, respectively. These extraordinary distributions were derived from net profits on bonds disposed of through sale, tender or call. Extraordinary distributions paid in the nine months under review were larger

than those disbursed in any previous full fiscal year, and we wish to emphasize that the payment of extraordinary dividends cannot be predicted as to occurrence or amounts, since they are governed by the net realized profits, if any, which may be available.

TAX INFORMATION

Your Corporation files its tax returns as a "regulated" investment company, thus freeing itself from liability for federal income taxes, provided it pays all its net earnings and profits to shareholders as taxable dividends and complies with the other requirements prescribed for regulated companies. It is believed that these requirements have been fully met and that the Fund has no federal income tax liability for the period under review. We set forth below a schedule of the dividends paid in the calendar year 1943 in terms of cents per share, together with the tax allocation of these dividends as computed by your Corporation's auditors.

	Total Dividend	*Taxable as Ordinary Dividend*	*Taxable as Capital Gains Dividend*
January 15, 1943.....	$.13	$.1029	$.0271
April 15, 1943	.14	.1110	.0290
July 15, 1943	.18	.1123	.0677
October 15, 1943	.25	.1048	.1452
TOTALS	$.70	$.4310	$.2690

The amounts shown to be taxable as capital gains dividends should be treated in the shareholder's income tax return in the same manner as gains on securities held for longer than six months. Only fifty per cent of such dividends are taxable, and the maximum rate applicable is also fifty per cent. To put it another way, the shareholder, in effect, pays one-half his regular tax rates on the total amount of his capital gains dividends, but in no event more than twenty-five per cent of such dividends.

PORTFOLIO OPERATIONS

There follows a list of the bonds added to or eliminated from the portfolio during the fiscal period under review:

ADDITIONS

Baltimore and Ohio R.R. Co. First 5s, 1948 (Stamped)
Chicago, Burlington & Quincy R.R. Co. First & Ref. 5s, 1971
New York, Chicago & St. Louis R.R. Co. Ref. 4½s, 1978
Southern Pacific Company 4½s, 1981
Standard Gas & Electric Co. Debenture 6s, 1966
Ann Arbor Railroad Co. First 4s, 1995
Cleveland Union Terminal Co. First 4½s, 1977
United States Treasury 2s, 1951-53

ELIMINATIONS

Baltimore and Ohio R.R. Co. First Mortgage 4s, 1948
Pere Marquette Ry. Co. First Mortgage 5s, 1956
Gulf, Mobile & Northern R.R. Co. First 5s, 1950

GENERAL

At the time of writing this letter securities prices have receded somewhat from the levels prevailing in the Summer and early Fall. This recession is generally ascribed to the belief that the European phase of the war at least may soon be over, and that American corporations are not yet sufficiently prepared for the reconversion problems which would arise.

In our opinion, peace at the earliest possible moment is urgently to be desired, not only from the standpoint of humanity but also as the necessary base for sound prosperity. How soon it may come we do not know, but popular optimism has been countered by official warnings. The American people have been told from highest quarters, both here and abroad, that an early collapse of Germany, while possible, is unlikely. In any event, we believe it should be kept in mind that the war in the Pacific still has a considerable period to run in the opinions of practically all qualified observers. Thus, the deceleration of war production and the return of manufacturing facilities to peace time uses should be gradual, permitting the effective application of the reconversion plans now being made by both industry and government. If we may judge by the pattern at the close of World War I, there seems little reason to believe that the dislocation at the war's end will be either severe or of long duration, and, if we follow that same pattern further, we will see that a brief period of hesitation was followed by a rising tide in business and securities prices.

In the previous report of your Corporation which was issued three months ago, the record of the Fund since its inception and the investment philosophy of the management were discussed in considerable detail. We should be glad to send copies of that report on request to those shareholders who have joined us in the interim.

Respectfully submitted,
HUGH W. LONG, *President*

By order of the Board of Directors,
November 15, 1943

—o—

Enclosed with this report are a notice of the annual meeting of the Fund, a proxy and a proxy statement. If you cannot attend the meeting in person MAY WE URGE THAT YOU SIGN AND RETURN THE PROXY PROMPTLY? A majority of the outstanding stock is required for a quorum. Failure to secure a quorum on the first mailing of proxies burdens the Fund with additional expense and may require postponement of the meeting.

Manhattan Bond Fund, Inc.

Face Value	*Security*
$ 455,000	Alleghany Corporation, Twenty-Year Collateral Trust Convertible Bonds
527,000	American Power & Light Company, Gold Debenture Bonds
25,000	The Ann Arbor Railroad Company, First Mortgage Gold Bonds
1,016,000	Atlantic Coast Line RR Co., General Unified Mtge. Fifty Year Coupon Gold Bonds
400,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year Gold Bonds
649,000	The Baltimore and Ohio Railroad Company, Pittsburgh, Lake Erie and West Virginia Refunding Mortgage Gold Bonds (Stamped)
303,000	The Brooklyn Union Gas Company, Twenty-Year Debenture Bonds
31,000	Canadian Pacific Railway Company, Twenty-Five Year Collateral Trust Gold Bonds
949,000	Central Pacific Railway Company, Thirty-Five-Year Guaranteed Gold Bonds
115,000	Certain-teed Products Corporation, Twenty-Year Sinking Fund Gold Debentures, Series
81,000	Chicago, Burlington & Quincy RR Co., First and Ref. Mtge. Gold Coupon Bonds, Series
805,000	Chicago, Burlington & Quincy RR Co., First and Ref. Mtge. Gold Coupon Bonds, Series
200,000	Chicago, Great Western Railway Company, First Mortgage Bonds, Series A
174,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Fifty Year Gold Bonds
310,000	Cities Service Company, Convertible Gold Debentures
284,000	The Cleveland Union Terminals Co., First Mortgage Sinking Fund Gold Bonds, Series
493,000	The Cleveland Union Terminals Co., First Mortgage Sinking Fund Gold Bonds, Series
30,000	The Cleveland Union Terminals Co., First Mortgage Sinking Fund Gold Bonds, Series
209,000	Continental Gas & Electric Corporation, Gold Debentures, Series A
23,000	Gulf, Mobile and Ohio Railroad Company, First and Refunding Mortgage Bonds,
100,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
775,000	Illinois Central Railroad Company, Refunding Mortgage Gold Bonds
293,000	Illinois Central Railroad Company, Forty-Year Gold Bonds
26,000	Illinois Power and Light Corporation, 30-Year Sinking Fund Debenture Gold Bonds
460,000	Interstate Power Company, First Mortgage Gold Bonds
904,000	The Kansas City Southern Railway Co., Refunding and Improvement Mortgage
156,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
192,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
220,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
378,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year Bonds
31,000	New Orleans and Northeastern Railroad Company, Ref. and Imp. Mtge. Gold Bonds
425,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds
659,000	The New York Central Railroad Co., Refunding and Improvement Mortgage Bonds
564,000	The New York, Chicago and St. Louis RR Co., Ref. Mtge. Gold Bonds, Series A
265,000	The New York, Chicago and St. Louis RR Co., Ref. Mtge. Gold Bonds, Series C
989,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds
942,000	Pere Marquette Railway Company, First Mortgage Gold Bonds, Series C
123,000	The Southern Indiana Railway Company, First Mortgage Gold Bonds
143,000	Southern Pacific Company, Gold Bonds
48,000	Southern Pacific Company, Gold Bonds
726,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Series
23,000	Southwestern Power & Light Company, Gold Debenture Bonds, Series A
747,000	Standard Gas & Electric Company, Gold Debentures, Series A
92,000	Standard Gas & Electric Company, Gold Debentures, Series B
145,000	The Texas and Pacific Ry. Co., General and Refunding Mortgage Gold Bonds, Series
367,000	The Texas and Pacific Ry. Co., General and Refunding Mortgage Gold Bonds, Series
404,000	The Texas and Pacific Ry. Co., General and Refunding Mortgage Gold Bonds, Series
244,000	Utah Power & Light Company, Gold Debenture Bonds, Series A
187,000	The Western Union Telegraph Company, Thirty Year Gold Bonds
100,000	United States of America Treasury Notes, Series B
200,000	United States of America Treasury Bonds
	Total

Investments, October 31, 1943

	Interest Rate	*Maturity*	*Cost*	*Value Based on Closing Market Quotations*
Bonds	5 %	1949	$ 344,665.00	$ 450,450.00
	6	2016	512,672.50	547,421.25
	4	1995	18,042.50	19,343.75
n Gold Bonds, Series A	4½	1964	630,308.75	701,040.00
Gold Bonds (Stamped)	5	1948	294,078.75	289,000.00
West Virginia System,				
	4	1951	334,375.00	420,227.50
	5	1950	261,612.50	292,395.00
ust Gold Bonds	5	1954	24,307.50	32,511.25
Bonds	5	1960	515,553.75	640,575.00
bentures, Series A	5½	1948	100,255.00	115,287.50
n Bonds, Series A	5	1971	71,883.75	73,203.75
n Bonds, Series B	4½	1977	559,126.25	668,150.00
ries A	4	1988	145,223.75	152,000.00
d Refunding Mortgage				
	5	1960	117,472.50	130,500.00
	5	1950	238,182.25	301,475.00
d Bonds, Series A	5½	1972	248,851.25	266,960.00
d Bonds, Series B	5	1973	357,896.25	419,050.00
d Bonds, Series C	4½	1977	22,533.75	23,250.00
	5	1958	187,051.25	207,955.00
age Bonds, Series B	4	1975	13,590.00	20,642.50
	4	1955	51,061.25	60,375.00
	5	1955	442,225.75	511,500.00
	4¾	1966	135,122.50	146,133.75
re Gold Bonds	5½	1957	22,631.25	26,487.50
	5	1957	328,612.50	428,950.00
n Mortgage Gold Bonds	5	1950	630,520.75	666,700.00
re Bonds	5	1947	105,418.75	109,980.00
re Bonds	5	1948	124,876.25	136,800.00
re Bonds	5	1950	145,710.00	155,100.00
Year Bonds, Series A	5	1983	295,095.00	363,825.00
e Gold Bonds, Series A	4½	1952	21,428.75	28,985.00
rtgage Bonds, Series A	4½	2013	240,658.75	240,656.25
rtgage Bonds, Series C	5	2013	389,527.50	420,112.50
Series A	5½	1974	422,376.75	547,080.00
Series C	4½	1978	199,721.25	229,225.00
gage Bonds, Series B	6	2047	632,224.50	778,837.50
C	4½	1980	631,015.00	695,902.50
	4	1951	69,296.25	91,942.50
	4½	1969	84,736.25	86,872.50
	4½	1981	28,970.00	29,160.00
l Bonds, Series A	6½	1956	631,767.50	715,110.00
A	6	2022	22,367.50	23,920.00
	6	1951	554,961.25	648,956.25
	6	1966	74,598.75	79,810.00
d Bonds, Series B	5	1977	98,887.50	117,450.00
d Bonds, Series C	5	1979	255,576.50	295,435.00
d Bonds, Series D	5	1980	275,662.00	323,705.00
	6	2022	232,016.25	255,590.00
	5	1960	139,592.50	187,000.00
	1½	1946	100,000.00	100,875.00
	2	1951-53	200,000.00	200,250.00
			$12,584,341.00	$14,474,163.75

Auditors' Report

To the Board of Directors and the Stockholders,
Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at October 31, 1943 and the related statements of income and security profit and loss, paid-in surplus and supplementary information for the nine months ended that date, have reviewed the system of internal control and the accounting procedures of the Company, and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Securities owned at October 31, 1943 as shown on the accompanying schedule of investments (except securities purchased, not yet received) were counted by us and in addition we obtained a confirmation from the custodian that it held such securities for the account of the Company on that date. The securities purchased, not yet received, were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statements of income and security profit and loss, paid-in surplus and supplementary information, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at October 31, 1943 and the results of its operations for the nine months ended that date, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which was made with our approval, in the method of allocating Federal capital-stock tax described in the note to the statement of income and security profit and loss) with that of the preceding year.

PRANKARD & ZIMMERMANN
Certified Public Accountants

New York, N. Y.
November 12, 1943.

Balance Sheet, October 31, 1943

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

ASSETS

Cash on Demand Deposit		$ 83,784.41
Investments—At value based on closing market quotations (Cost of specific certificates held, $12,584,341.00)		14,474,163.75
Receivable for Interest Accrued and Interest Purchased		241,992.23
Receivable from Wholesale Distributor for Capital Stock Sold, Not Yet Delivered		102,273.42
Deferred Charges		2,801.27
Total		$14,905,015.08

LIABILITIES

Payable for Capital Stock Repurchased, Not Yet Received		$ 11,907.05
Payable for Securities Purchased, Not Yet Received		84,589.44
Accrued Taxes and Accounts Payable (Note 1)		18,919.45
Capital Stock and Surplus (Equivalent to $7.94 per share on 1,862,165 shares outstanding):		
Capital stock of $.10 par value—Authorized 7,500,000 shares; issued or subscribed (less 2,539 shares in treasury) 1,862,165 shares (Note 2)	$ 186,216.50	
Paid-in surplus	12,705,328.42	
"Ordinary distribution account" balance	6,836.22	
Security profits surplus	1,395.25	
Excess of value of investments based on closing market quotations over cost thereof	1,889,822.75	14,789,599.14
Total		$14,905,015.08

Notes:

(1) No Federal income tax has been accrued for the nine months ended October 31, 1943 since the Company believes that it has distributed all of its taxable income for such period in taxable dividends (including capital gain dividends) and has qualified as a "regulated investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($253.90) has been charged against capital stock account.

Statement of Income and Security Profit & Loss

FOR THE NINE MONTHS ENDED OCTOBER 31, 1943

"Ordinary Distribution Account" (As defined in the charter):		
Income—Interest on bonds		$ 623,535.31
Expenses:		
Research and advisory fee	$49,636.41	
Federal capital-stock and State franchise taxes (See note)	11,300.00	
Custodian's fees and expenses	9,286.96	
Salaries—Officers and clerical	7,336.78	
Legal and auditing fees	4,397.02	
Reports to stockholders	3,709.66	
Transfer agent's fees and expenses	3,391.02	
Distribution disbursing charges	3,172.94	
Miscellaneous	4,945.89	
Total	$97,176.68	
Deduct—Repurchase charges	4,681.03	92,495.65
Net income (exclusive of security profits and losses)		$ 531,039.66
Add:		
Balance, January 31, 1943		12,915.94
Equalization credits—Net (portion of amounts received for capital stock sold, less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		9,693.88
Total		$ 553,649.48
Deduct—Cash distributions to stockholders of $.11 a share each paid April 15 and July 15, 1943 and $.10 a share paid October 15, 1943		546,813.26
Balance, October 31, 1943		$ 6,836.22
Security Profits Surplus (Computed on the basis of identifying the cost of specific certificates sold):		
Balance, January 31, 1943		$ 7,762.33
Net profit from sales of securities (less $10,000.00 provision for Federal capital-stock and declared value excess-profits taxes — See note)		432,865.02
Total		$ 440,627.35
Deduct—Cash distributions to stockholders of $.03 a share paid April 15, 1943, $.07 a share paid July 15, 1943 and $.15 a share paid October 15, 1943		439,232.10
Balance, October 31, 1943		$ 1,395.25
Excess of Value of Investments Based on Closing Market Quotations Over Cost Thereof:		
Balance, January 31, 1943		$ 649,103.25
Increase during the period		1,240,719.50
Balance, October 31, 1943		$1,889,822.75

NOTE:

Of the total provision during the period of $15,184.00 for Federal capital-stock tax, $5,509.00 has been charged against security profits. Prior to February 1, 1943 such taxes were charged against income in the "ordinary distribution account".

Statement of Paid-in Surplus

FOR THE NINE MONTHS ENDED OCTOBER 31, 1943

Balance, January 31, 1943		**$10,761,043.62**
Amounts received or receivable on subscriptions to capital stock, exclusive of the par value of such stock and after deducting equalization credits ($14,967.62) included in "ordinary distribution account"		3,146,645.19
Total		**$13,907,688.81**
Deduct:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $4,681.03), exclusive of the par value of such stock and after deducting equalization debits ($5,273.74) charged to "ordinary distribution account"	$1,201,775.39	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	585.00	1,202,360.39
Balance, October 31, 1943		**$12,705,328.42**

SUPPLEMENTARY INFORMATION
FOR THE NINE MONTHS ENDED OCTOBER 31, 1943

PURCHASES AND SALES OF INVESTMENT SECURITIES

Purchases and sales of investment securities, other than Government securities, aggregated $3,397,557.50 and $2,086,597.02, respectively.

COMPENSATION OF OFFICERS AND DIRECTORS

During the nine months ended October 31, 1943, the Company paid research and advisory fees of $49,636.41 to Manhattan Foundation, Inc., salaries of $3,100.00 to officers, and fees of $720.00 to directors. Certain directors of Manhattan Foundation, Inc. are also officers or directors of Manhattan Bond Fund, Inc.

This Report is authorized for distribution only to shareholders and others who have received a copy of the official prospectus of Manhattan Bond Fund, Inc., by which all offerings are made.

Dividend and Price Record

Date	*Dividends*	*Extra-Ordinary*	*Ordinary*		*Annual Range of Offering Prices*	
					High	*Low*
—1938—						
Oct. 15	Dividend No. 1	$....	$.12		$8.25	$7.00
—1939—						
Jan. 16	Dividend No. 2		.12			
Apr. 15	Dividend No. 3	.05	.12	$.53	$8.31	$6.89
Jul. 15	Dividend No. 4	.02	.11			
Oct. 16	Dividend No. 5		.11			
—1940—						
Jan. 15	Dividend No. 6	.07	.11			
Apr. 15	Dividend No. 7	.02	.10	$.50	$7.84	$5.98
Jul. 15	Dividend No. 8		.10			
Oct. 15	Dividend No. 9		.10			
—1941—						
Jan. 15	Dividend No. 10	.02	.11			
Apr. 15	Dividend No. 11		.11	$.51	$8.21	$7.18
Jul. 15	Dividend No. 12	...	.11			
Oct. 15	Dividend No. 13	.05	.11			
—1942—						
Jan. 15	Dividend No. 14	.02	.11			
Apr. 15	Dividend No. 15	.03	.11	$.51	$7.82	$7.11
Jul. 15	Dividend No. 16		.11			
Oct. 15	Dividend No. 17	.02	.11			
—1943—						
Jan. 15	Dividend No. 18	.03	.10			
Apr. 15	Dividend No. 19	.03	.11	$.70	$9.00*	$7.55*
Jul. 15	Dividend No. 20	.07	.11			
Oct. 15	Dividend No. 21	.15	.10			

*To October 31.

Dividends paid to shareholders during this five year period have totalled —

$2,934,474.15

5088.09

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Marvyn Scudder
Financial Library

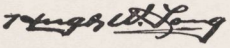
MANHATTAN BOND FUND, INC.



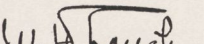
Annual report

FOR FISCAL YEAR ENDED OCTOBER 31, 1945

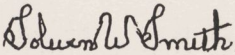
DIRECTORS AND OFFICERS



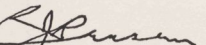
Hugh W. Long, director and president, is a director of Fundamental Investors, Inc., and Investors Fund C, Inc., a general partner of Manhattan Research Associates, president and director of Hugh W. Long & Co., Inc., and of New York Stocks, Inc.



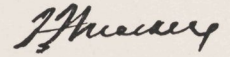
William H. Lough, director, is president of Trade-Ways, Inc., market and management counsel.



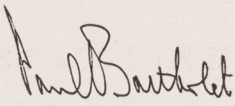
Solwin W. Smith, director, is president of Robert S. Smith Corp., owners and operators of real estate.



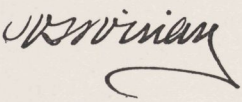
Clarence J. Reese, director, is president of Continental Motors Corp., Detroit, Mich.



Thomas F. Chalker, director and secretary-treasurer, is an officer and director of Hugh W. Long & Co., Inc., and New York Stocks, Inc., and a general partner of Manhattan Research Associates.



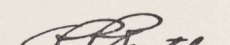
Paul Bartholet, executive vice-president, is an officer of Hugh W. Long & Co., Inc., and New York Stocks, Inc., and a general partner of Manhattan Research Associates.



Vernon S. Vivian, vice-president, is an officer of Hugh W. Long & Co., Inc., and New York Stocks, Inc., and a general partner of Manhattan Research Associates.



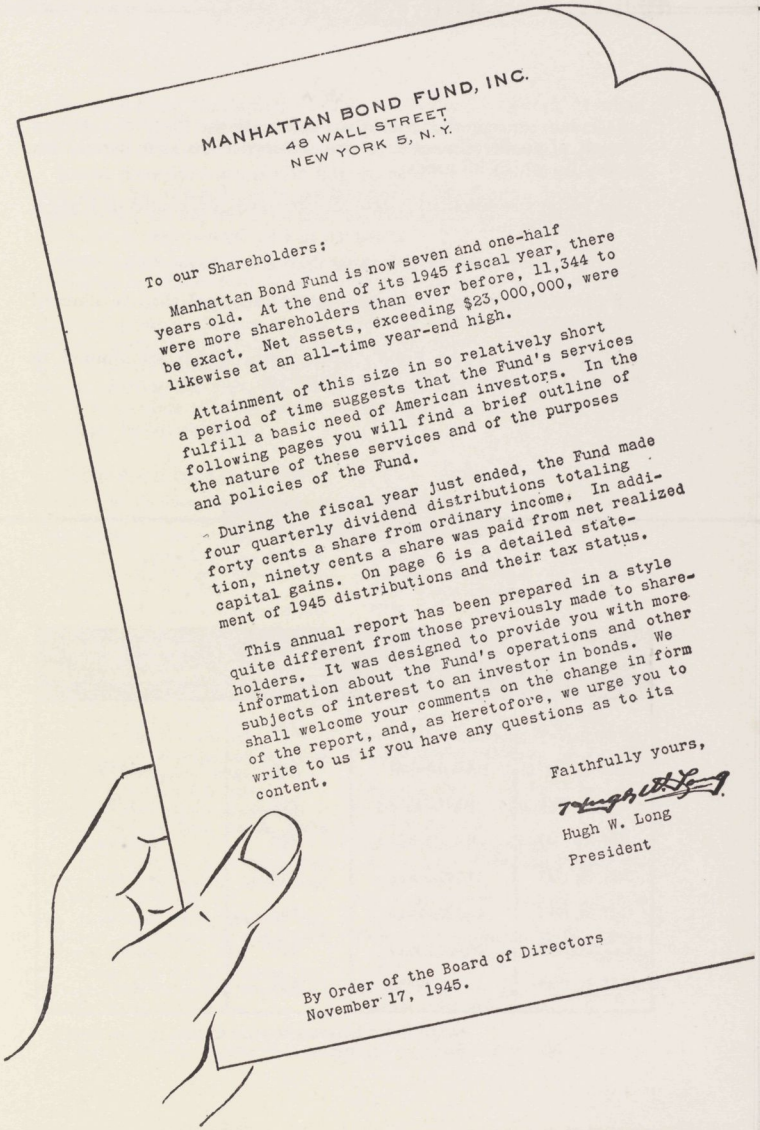
George T. Moeschen, assistant vice-president, is head of the department executing orders in portfolio securities. He is an officer of New York Stocks, Inc.



Oscar P. Rentel, assistant secretary and assistant treasurer, is also an officer of New York Stocks, Inc.

NOTICE OF SOLICITATION OF PROXIES

Proxies will be requested at a later time for use at the annual meeting of your corporation. A proxy statement will be mailed about December 10, 1945 with the notice of such meeting.



MANHATTAN BOND FUND, INC.
48 WALL STREET
NEW YORK 5, N. Y.

To our Shareholders:

Manhattan Bond Fund is now seven and one-half years old. At the end of its 1945 fiscal year, there were more shareholders than ever before, 11,344 to be exact. Net assets, exceeding $23,000,000, were likewise at an all-time year-end high.

Attainment of this size in so relatively short a period of time suggests that the Fund's services fulfill a basic need of American investors. In the following pages you will find a brief outline of the nature of these services and of the purposes and policies of the Fund.

During the fiscal year just ended, the Fund made four quarterly dividend distributions totaling forty cents a share from ordinary income. In addition, ninety cents a share was paid from net realized capital gains. On page 6 is a detailed statement of 1945 distributions and their tax status.

This annual report has been prepared in a style quite different from those previously made to shareholders. It was designed to provide you with more information about the Fund's operations and other subjects of interest to an investor in bonds. We shall welcome your comments on the change in form of the report, and, as heretofore, we urge you to write to us if you have any questions as to its content.

Faithfully yours,

Hugh W. Long

Hugh W. Long
President

By Order of the Board of Directors
November 17, 1945.

BASIC OBJECTIVES

It is our concept that each shareholder of the Fund has availed himself of an investment management service for that part of his capital on which he needs:

1. Better income than is provided by savings accounts or highest grade bonds.
2. Greater regularity of income than common stocks provide.
3. Greater protection against loss of principal than is afforded by common stocks.

Management of the Fund's investments, which are limited to bonds, is directed toward these objectives.

GROWTH OF ASSETS

FISCAL YEAR ENDING	TOTAL NET ASSETS	ASSETS PER SHARE	PERCENT CHANGE IN ASSET VALUE PER SHARE EACH YEAR*
JAN. 31, 1939	$ 757,312.18	$6.92	
JAN. 31, 1940	4,056,631.38	6.66	– 1.73%
JAN. 31, 1941	7,507,227.59	7.07	+ 6.76
JAN. 31, 1942	8,452,628.08	7.08	+ 1.13
JAN. 31, 1943	11,592,088.64	7.19	+ 2.68
OCT. 31, 1943	14,789,599.14	7.94	+13.91
OCT. 31, 1944	20,939,706.52	9.21	+20.73
OCT. 31, 1945	23,143,707.16	9.24	+10.10

*ADJUSTED FOR DISTRIBUTIONS FROM REALIZED SECURITY PROFITS.

By combining the capital of many individual investors, Manhattan Bond Fund has been able to provide protective services not ordinarily obtainable by investors of moderate means.

Broad diversification is one important service. At the 1945 fiscal year end, for example, your investment in Manhattan Bond Fund was divided among forty-two separate issues; and the largest individual holding represented 5.8% of net assets.

Continuous, experienced supervision is a second important service. Holdings of Manhattan Bond Fund are subject to constant study and are revised whenever in the judgment of the research staff and the management changes appear desirable. Additions to and eliminations from the portfolio during the 1945 fiscal year are listed below. This is a summary of information supplied to shareholders each month during the year, but does not include such changes as are made from time to time in the percentage of assets devoted to individual bond holdings.

ISSUES SOLD OR REDEEMED

Certain-teed Products Corporation, Twenty-Year Sinking Fund Gold Debentures, Series A 5½% 1948

Chicago, Burlington & Quincy RR Co., First and Ref. Mtge. Gold Coupon Bonds, Series B 4½% 1977

Illinois Central Railroad Company, Refunding Mtge. Gold Bonds 5% 1955

The Kansas City Southern Railway Co., Refunding and Improvement Mtge. Gold Bonds 5% 1950

The New York, Chicago and St. Louis RR Co., Refunding Mtge. Gold Bonds, Series A 5½% 1974

The New York, Chicago and St. Louis RR Co., Refunding Mtge. Gold Bonds, Series C 4½% 1978

Pere Marquette Railway Company, First Mortgage Gold Bonds, Series C 4½% 1980

The Texas and Pacific Railway Co., General and Refunding Mtge. Gold Bonds, Series B 5% 1977

The Texas and Pacific Railway Co., General and Refunding Mtge. Gold Bonds, Series C 5% 1979

The Texas and Pacific Railway Co., General and Refunding Mtge. Gold Bonds, Series D 5% 1980

ISSUES ADDED

Associated Telephone & Telegraph Company, Debentures, Series A 5½% 1955

The Baltimore and Ohio Railroad Company, Refunding and General Gold Bonds (Stamped, Modified), Series C 6% 1995

Buffalo, Rochester & Pittsburgh Railway Company, Consolidated Gold Bonds 4½% 1957

Chicago and North Western Railway Company, Second Mortgage Convertible Income Bonds 4½% 1999

Cleveland, Cincinnati, Chicago & St. Louis Railway Company, Refunding & Improvement Gold Bonds, Series E 4½% 1977

Housatonic RR, Consolidated Gold Bonds 5% 1937

International Telephone & Telegraph Corporation Gold Debentures 5% 1955

New England RR, Consolidated Gold Bonds 5% 1945

Virginia & Southwestern Railway Company Consolidated Gold Bonds 5% 1958

United States of America Treasury Bonds 2½% 1962-1967

It goes without saying that adequate diversification and continu-

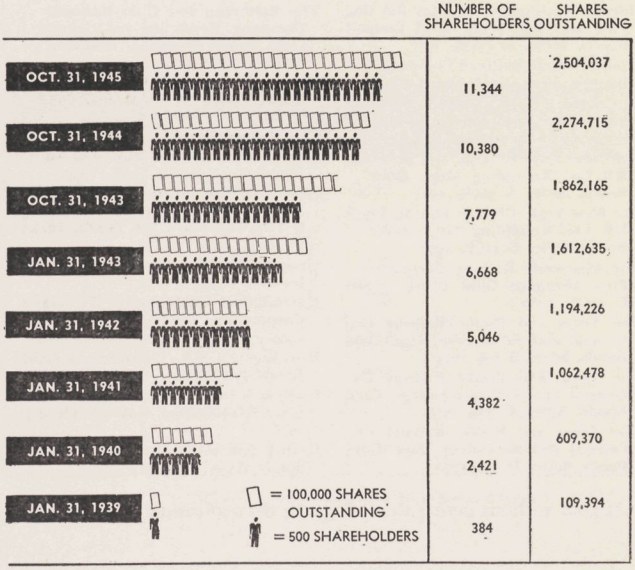
ous supervision provide greater safety for the investor than he would have if he owned instead one or a few corporate bonds of the same quality as the Fund holds, and attempted himself to follow the affairs of the issuing companies.

INVESTMENT POLICY

During recent years, bond values and prices have been in an upward trend. As prices of bonds rise, their yields inevitably decrease. Your management knows that by lowering investment quality of the Fund, somewhat greater income could be secured for shareholders. In its opinion, however, this could be done only by the assumption of a degree of risk not justified by the income improvement to be expected. For this reason, your management has no intention of changing the Fund's investment policy. We shall continue to seek as high a rate of return as may be obtained from a diversified bond portfolio without the assumption of an unwarranted degree of risk.

We believe it is this policy which has caused so many investors to take advantage of the services offered to its shareholders by the Fund.

GROWTH OF OWNERSHIP



DIVIDEND PAYMENTS

By far the largest realized security profits in the history of Manhattan Bond Fund resulted in the payment of extraordinary dividends from this source of 90 cents a share during the 1945 fiscal year. Ordinary dividends from investment income totaled 40 cents a share. The tax status and distribution by quarters of the 1945 dividends were as follows:

Payment Date 1945	Ordinary Dividend	Extra-ordinary Dividend	Total Dividend	Taxable as Ordinary Income	Taxable as Capital Gain Dividend*
Jan. 15	$.10	$.05	$.15	$.0987	$.0513
April 16	.10	.05	.15	.0987	.0513
July 16	.10	.05	.15	.0987	.0513
Oct. 15	.10	—	.10	.10	—
Oct. 27	—	.75	.75	—	.75**
TOTALS	$.40	$.90	$1.30	$.3961	$.9039

*These amounts should be treated in the shareholder's income tax return in the same manner as gains on securities held for longer than six months. Only 50% of such dividends are taxable and the maximum rate applicable is also 50%. Thus, in effect, the shareholder pays one-half his regular tax rates on the total amount of his capital gain dividends, but in no event more than 25% of such dividends.

**Taxable as a capital gain dividend whether received in cash or in stock. Approximately 52% of the shareholders took advantage of the option to receive this capital gain dividend in capital stock of the Fund at its asset value instead of in cash.

INVESTMENTS OF MANHAT

OCTOBER 3,

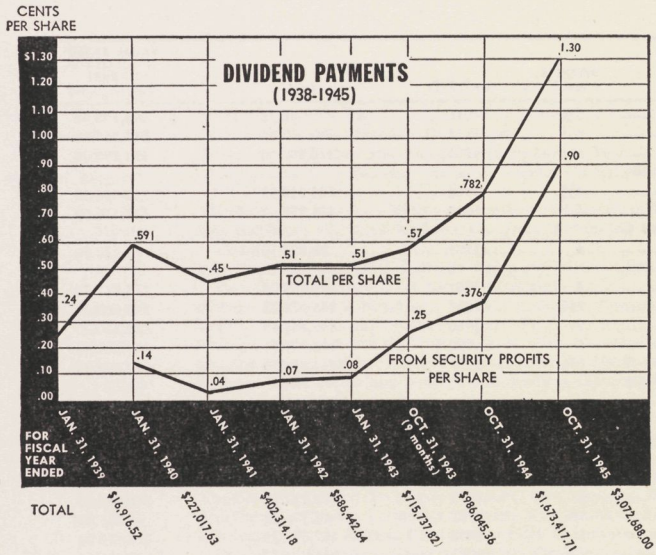
FACE VALUE	SECURITY
$ 504,000	American Power & Light Company, Gold Debenture Bonds
914,000	Associated Electric Company, Gold Bonds
364,000	Associated Telephone and Telegraph Company, 25 Year Gold Debentures, Series
1,200,000	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty Year Coupon Series A
610,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year Gold Bonds
96,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage (Stamped)
355,000	The Baltimore and Ohio Railroad Company, Pittsburgh, Lake Erie and West Virginia Refunding Mortgage Gold Bonds (Stamped)
1,055,000	Buffalo, Rochester & Pittsburgh Railway Company, Consolidated Bonds
447,000	Central Pacific Railway Company, Thirty-Five Year Guaranteed Gold Bonds
205,000	Chicago, Great Western Railway Company, First Mortgage Bonds, Series A
730,000	Chicago & Northwestern Railway Company, Second Mortgage Convertible Income
972,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Year Gold Bonds
790,000	Cities Service Company, Convertible Gold Debentures
916,000	Cleveland, Cincinnati, Chicago & St. Louis Railway Company, Refunding and Bonds, Series E
359,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds,
520,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds,
58,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund Gold Bonds,
209,000	Continental Gas & Electric Corporation, Gold Debentures, Series A
1,011,000	Erie Railroad Company, General Mortgage Cumulative Income Bonds, Series A
945,000	Gulf, Mobile and Ohio Railroad Company, General Mortgage Income Bonds, Series
84,000	Housatonic Railroad Company, Consolidated Gold Bonds (Stamped)
1,211,000	Illinois Central Railroad Company, Forty Year Gold Bonds
353,000	International Telephone and Telegraph Corporation, 25-Year Coupon Gold Debentures
498,000	Interstate Power Company, First Mortgage Gold Bonds
156,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
192,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
220,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
321,000	New England Railroad Company, Guaranteed Consolidated Mortgage 50-Year Gold
415,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year Bonds, Ser
630,000	The New York Central Railroad Company, Refunding and Improvement Mortgage Series A
809,000	The New York Central Railroad Company, Refunding and Improvement Mortgage Series C
1,224,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds, S
133,000	The Southern Indiana Railway Company, First Mortgage Gold Bonds
347,000	Southern Pacific Company, Forty-Year Gold Bonds
765,000	Southern Pacific Company, Fifty-Year Gold Bonds
845,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Series
839,000	Standard Gas and Electric Company, Gold Debentures, Series A
231,000	Standard Gas and Electric Company, Gold Debentures, Series B
50,000	Virginia and Southwestern Railway Company, First Consolidated Gold Bonds
187,000	The Western Union Telegraph Company, Thirty-Year Gold Bonds
200,000	United States of America Treasury Bonds
100,000	United States of America Treasury Bonds
	Total

ANHATTAN BOND FUND, INC.

C TOBER 31, 1945

	INTEREST RATE	MATURITY	COST	VALUE BASED ON CLOSING MARKET QUOTATIONS
.....	6%	2016	$ 498,138.75	$ 548,100.00
.....	4½	1953	770,360.00	934,565.00
tres, Series A	5½	1955	378,400.00	381,290.00
ty Year Coupon Gold Bonds, ...	4½	1964	788,912.50	1,308,000.00
r Gold Bonds (Stamped)	5	1948	476,978.42	643,550.00
al Mortgage Bonds, Series C	6	1995	88,092.50	87,120.00
..... nd West Virginia System, ...	4	1951	180,568.75	355,887.50
nds	4½	1957	855,071.73	844,000.00
d Bo...	5	1960	447,653.75	473,820.00
ries A	4	1988	148,923.75	197,825.00
ble Income Bonds, Series A	4½	1999	643,812.50	660,650.00
d Refunding Mortgage Fifty	5	1960	799,935.00	984,150.00
.....	5	1950	719,369.75	825,550.00
funding and Improvement	4½	1977	834,883.75	842,720.00
rd Gold Bonds, Series A	5½	1972	323,211.25	390,412.50
rd Gold Bonds, Series B	5	1973	382,833.75	560,950.00
nd Gold Bonds, Series C	4½	1977	43,771.25	62,205.00
.....	5	1958	187,051.25	213,180.00
ds, Series A	4½	2015	837,211.25	990,780.00
e Bonds, Series A	5	2015	853,805.00	941,456.25
)	5	1937	85,080.00	85,260.00
Gold Debenture Bonds	4¾	1966	894,597.50	1,082,331.25
.....	5	1955	369,725.00	370,208.75
.....	5	1957	366,416.25	499,867.50
ure Bonds	5	1947	105,418.75	149,370.00
re Bonds	5	1948	124,876.25	184,320.00
ure Bonds	5	1950	145,710.00	210,925.00
o-Year Gold Bonds	5	1945	324,475.98	325,815.00
Year Bonds, Series A	5	1983	335,851.25	437,825.00
rovement Mortgage Bonds, ...	4½	2013	383,696.25	567,000.00
rovement Mortgage Bonds, ...	5	2013	511,680.00	786,752.50
tgage Bonds, Series B	6	2047	860,045.75	1,346,400.00
.....	4	1951	76,533.75	138,652.50
.....	4½	1969	254,023.75	349,602.50
.....	4½	1981	592,392.50	784,125.00
Bonds, Series A	6½	1956	750,937.50	1,018,225.00
.....	6	1951	639,632.50	899,827.50
.....	6	1966	203,743.75	246,015.00
l Bonds	5	1958	51,875.00	54,500.00
.....	5	1960	139,592.50	201,025.00
.....	2½	1965-1970	200,000.00	203,187.50
.....	2½	1962-1967	102,906.25	102,843.75
.....			$17,778,195.38	$22,290,290.00

HISTORY OF DIVIDEND PAYMENTS



Normally, investment income from bonds remains relatively stable, just as ordinary dividends from Manhattan Bond Fund have been throughout its life. Capital gains and capital gain dividends, on the other hand, are irregular. Such dividends can be paid only when net profits have been realized from the sale or redemption of bonds purchased by the Fund at lower prices.

Capital gains, whether realized or not, increase the per-share asset value of the Fund. When capital gains are realized and are distributed, asset value is reduced by the amount of the distribution. Thus, the total of 90 cents a share paid in 1945 from realized capital gains has diminished by that much the amount which otherwise would be at work producing income for each share.

It is for this reason that we have consistently urged the reinvestment of capital gain dividends. Shareholders who have done so and those who chose the option of receiving stock rather than cash for the 75 cents capital gain dividend paid October 27 will, of course, have the benefit of the dividends on the additional shares now owned.

It will be observed that the balance sheet of the Fund on Page 12 shows unrealized capital gains amounting to $4,512,094.62 at October 31, 1945. As of the date of this report, $486,354.25 of that total has been realized.

FORCES INFLUENCING BOND VALUES

From the viewpoint of the bond investor, a most constructive economic development of the war years has been the increase in liquid assets of business corporations. Even though close to $3 billion of these assets were used to retire corporate debt between December 1941 and March 1945, according to the Federal Reserve Bulletin of October 1945, the net working capital of business increased by more than $14.5 billion, or 46%, in the same period; and a further expansion is anticipated in this extra margin of protection for corporate bonds. In fact, it is estimated that at the beginning of 1946, net working capital will equal or exceed the total of all long term debt obligations of major American corporations. And this, of course, is in addition to the fixed assets.

This and other economic and monetary forces generally responsible for strength in bonds during the past several years may be augmented by at least two new developments in prospect for the coming year.

As the country's floating population settles down following its war-imposed travels, and as black markets disappear, a significant portion of the $28 billion of currency now in circulation will find its way into the banks. This will further swell bank resources for which investment media, including bonds, will need to be sought.

The advance in the share markets has already induced some investors to take "protective action" with a portion of their funds, by transferring such funds into bonds. A further rise in common stock prices would no doubt swell the number and size of this group. This too would mean increased demand for bonds.

PERSONNEL

On September 29, 1945, Mr. Paul Bartholet was elected Executive Vice President of your company. For the past five years Mr. Bartholet has been Executive Director of the National Association of Investment Companies. He thus brings to the Fund a broad experience in the investment company field, which your directors believe will contribute to the progress of Manhattan Bond Fund and the services it provides shareholders.

PRANKARD & ZIMMERMANN
CERTIFIED PUBLIC ACCOUNTANTS

55 LIBERTY STREET
NEW YORK 5, N.Y.

AUDITORS' REPORT

To the Board of Directors and the Stockholders,
Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at October 31, 1945 and the related statements of income and security profit and loss, paid-in surplus and supplementary information for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Securities owned at October 31, 1945, as shown on the schedule of investments, except securities purchased but not yet received, were confirmed to us by the custodian. Securities purchased but not yet received were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statements of income and security profit and loss, paid-in surplus and supplementary information, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at October 31, 1945 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Prankard & Zimmermann

New York, N. Y.
November 15, 1945.

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

BALANCE SHEET

OCTOBER 31, 1945

ASSETS

CASH ON DEPOSIT WITH CUSTODIAN		$ 290,396.38
INVESTMENTS—AT VALUE BASED ON CLOSING MARKET QUOTATIONS (Cost of specific certificates held, $17,778,195.38)		22,290,290.00
RECEIVABLE FOR INTEREST ACCRUED AND INTEREST PURCHASED		343,490.82
RECEIVABLE FOR SECURITIES SOLD, NOT YET DELIVERED		258,815.75
RECEIVABLE FROM WHOLESALE DISTRIBUTOR FOR CAPITAL STOCK SOLD, NOT YET DELIVERED		86,250.64
Total		$23,269,243.59

LIABILITIES

PAYABLE FOR CAPITAL STOCK REPURCHASED, NOT YET RECEIVED		$ 44,206.10
PAYABLE FOR SECURITIES PURCHASED, NOT YET RECEIVED		54,834.42
ACCRUED TAXES AND ACCOUNTS PAYABLE (Note 1)		26,495.91
CAPITAL STOCK AND SURPLUS (Equivalent to $9.24 per share on 2,504,037 shares outstanding):		
Capital stock of $.10 par value — Authorized 7,500,000 shares; issued or subscribed (less 18,885 shares in treasury) 2,504,037 shares (Note 2)	$ 250,403.70	
Paid-in surplus	18,369,356.26	
"Ordinary distribution account" balance	5,049.39	
Security profits surplus	6,803.19	
Excess of value of investments based on closing market quotations over cost thereof	4,512,094.62	23,143,707.16
Total		$23,269,243.59

NOTES:

(1) No Federal income tax has been accrued for the year ended October 31, 1945 since the company believes that it has distributed all of its taxable income for such year in taxable dividends (including capital gain dividends) and has qualified as a "regulated investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($1,888.50) has been charged against capital stock account.

STATEMENT OF ORDINARY INCOME

YEAR ENDED OCTOBER 31, 1945

"ORDINARY DISTRIBUTION ACCOUNT" (As defined in the charter):		
Income—Interest on bonds (including $5,499.37 contingent interest—Note 1)		$ 1,108,404.80
Expenses:		
Research and advisory fee	$ 113,065.37	
Capital-stock, franchise and excise taxes (Note 2)	18,684.98	
Distribution disbursing charges	12,243.62	
Salaries — Officers and clerical	11,446.10	
Transfer agent's fees and expenses	8,298.28	
Reports to stockholders	6,719.65	
Legal and auditing fees	5,930.44	
Custodian's fees and expenses	5,573.43	
Miscellaneous	12,979.34	
Total	$ 194,941.21	
Deduct — Repurchase charges received	12,329.07	182,612.14
Net income (exclusive of security profits and losses)		$ 925,792.66
Add:		
Balance, October 31, 1944		7,122.62
Equalization credits — Net (portion of amounts received for capital stock sold less comparable amounts paid for capital stock repurchased, representing the equalization for the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		5,594.51
Total		$ 938,509.79
Deduct—Cash distributions to stockholders of $.10 a share each paid January 15, April 16, July 16, and October 15, 1945		933,460.40
Balance, October 31, 1945		$ 5,049.39

STATEMENT OF SECURITY PROFIT AND LOSS

YEAR ENDED OCTOBER 31, 1945

SECURITY PROFITS SURPLUS (Computed on the basis of identifying the cost of specific certificates sold):	
Balance, October 31, 1944	$ 395.34
Net profit from sales of securities (less $10,365.14 provision for New York State franchise tax and New York City excise tax—Note 2)	2,145,635.45
Total	$ 2,146,030.79
Deduct—Distributions to stockholders of $.05 a share each paid January 15, April 16, and July 16, 1945 and $.75 a share October 27, 1945 (Note 3)	2,139,227.60
Balance, October 31, 1945	$ 6,803.19
EXCESS OF VALUE OF INVESTMENTS BASED ON CLOSING MARKET QUOTATIONS OVER COST THEREOF:	
Balance, October 31, 1944	$ 4,475,957.24
Increase during the year	36,137.38
Balance, October 31, 1945	$ 4,512,094.62

NOTES:

(1) During the year the Company received $52,945.00, representing contingent interest on certain railroad bonds, a portion of which is applicable to the period prior to the dates on which such bonds were acquired and has therefore been applied as a reduction of their cost.

NOTES 2 and 3 on opposite page.

STATEMENT OF PAID IN SURPLUS

YEAR ENDED OCTOBER 31, 1945

BALANCE, OCTOBER 31, 1944		$16,228,759.82
ADD:		
Amounts received or receivable on subscriptions to capital stock, exclusive of the par value of such stock and after deducting equalization credits ($17,932.33) included in "ordinary distribution account"		5,174,766.16
Excess of net asset value of capital stock issued to stockholders as part of the distribution paid October 27, 1945, over the par value of such stock		922,798.08
Total		$22,326,324.06
DEDUCT:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $12,329.07), exclusive of the par value of such stock and after deducting equalization debits ($12,337.82) charged to "ordinary distribution account"	$ 3,953,625.80	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	3,342.00	3,956,967.80
BALANCE, OCTOBER 31, 1945		$18,369,356.26

SUPPLEMENTARY INFORMATION

Purchases and sales of investment securities, other than Government securities, during the year ended October 31, 1945 aggregated $6,418,208.75 and $6,928,408.59, respectively.

During the year ended October 31, 1945, the Company paid research and advisory fees of $40,646.11 to Manhattan Foundation, Inc. for the period from November 1, 1944 to March 15, 1945 and $72,419.26 to Manhattan Research Associates for the period from March 16 to October 31, 1945, salaries of $5,425.00 to officers, and fees of $940.00 to directors. Certain directors of Manhattan Foundation, Inc. and partners of Manhattan Research Associates are also officers or directors of Manhattan Bond Fund, Inc.

NOTES (*continued from page* 13.)

(2) Of the total provision during the year of $15,714.12 for New York State franchise tax and New York City excise tax, $10,365.14 has been determined to be applicable to the realized security profits and has been charged thereagainst.

(3) The distributions paid January 15, April 16, and July 16, 1945 were paid in cash. The distribution paid October 27, 1945, payable at the option of the stockholders either in cash or in capital stock of the Company at its net asset value at the close of business October 13, 1945, consisted of $859,045.02 in cash and $932,916.48 in capital stock of the Company.

MANHATTAN BOND FUND, INC.

General Offices: 48 Wall Street, New York 5, N. Y.

Custodian of Bonds
BANK OF NEW YORK
48 Wall Street, New York, 15, N. Y.

Transfer Agent
BANK OF NEW YORK
48 Wall Street, New York, 15, N. Y.

Auditors
PRANKARD & ZIMMERMANN
Certified Public Accountants
55 Liberty Street, New York 5, N. Y.

Counsel
HARRIS BERLACK
20 Exchange Place, New York 5, N. Y.

Research and Advisory Service
MANHATTAN RESEARCH ASSOCIATES
48 Wall Street, New York 5, N. Y.

This report is authorized for distribution only to shareholders and others who have received a copy of the official prospectus of Manhattan Bond Fund, Inc., by which all offerings are made.

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MANHATTAN BOND FUND, INC.

ANNUAL REPORT

October 31, 1946



DIRECTORY

GENERAL OFFICES

MANHATTAN BOND FUND, INC.
48 Wall Street — New York 5, N. Y.

OFFICERS

HUGH W. LONG, *President*
VERNON S. VIVIAN, *Vice-Pres.*
WILLIAM F. EDWARDS, *Vice-Pres.*
THOMAS F. CHALKER, *Sec'y-Treas.*
GEORGE T. MOESCHEN, *Ass't Vice-Pres.*
OSCAR P. RENTEL, *Ass't Sec'y-Treas.*
HAROLD T. MEUSBACKER, *Comptroller*

DIRECTORS

WILLIAM H. LOUGH
CLARENCE J. REESE
SOLWIN W. SMITH
HUGH W. LONG
THOMAS F. CHALKER

CUSTODIAN

BANK OF NEW YORK — *48 Wall Street, New York 15, N. Y.*

TRANSFER AGENT

BANK OF NEW YORK — *48 Wall Street, New York 15, N. Y.*

AUDITORS

ZIMMERMANN & COMPANY — *Certified Public Accountants*
55 Liberty Street — New York 5, N. Y.

COUNSEL

HARRIS BERLACK — *20 Exchange Place, New York 5, N. Y.*

RESEARCH AND ADVISORY SERVICE

MANHATTAN RESEARCH ASSOCIATES — *48 Wall Street, New York 5, N. Y.*

NOTICE OF SOLICITATION OF PROXIES

Proxies will be requested at a later time for use at the annual meeting of your corporation. A proxy statement will be mailed about December 10, 1946 with the notice of such meeting.

ANNUAL REPORT TO STOCKHOLDERS
MANHATTAN BOND FUND, INC.

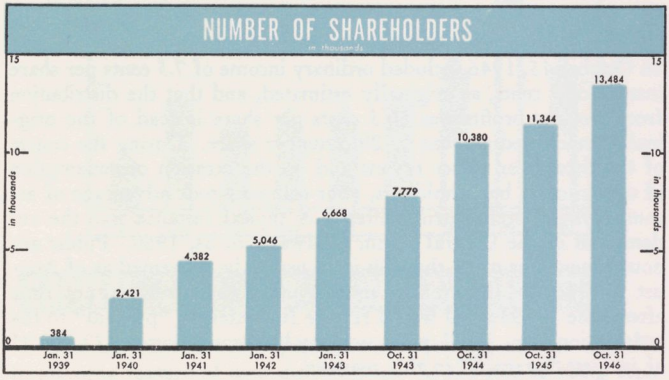
The President's Letter

TO OUR STOCKHOLDERS:

It is with pleasure that we report to you on the progress of your company and on the details of its operation for the fiscal year ended October 31, 1946.

A noteworthy feature of the year was the increase of 2,140 in number of shareholders. This increase was one of the greatest of any annual period in all the eight and one-half years of your company's life, and brought the total of shareholders to 13,484. Among new shareholders were additional educational, religious and charitable institutions, as well as corporations and employees' pension funds.

The fact that — during a year of unsettled security prices — so many of you availed yourselves of the protective features offered by shares of an investment company limited exclusively to bond investments testifies to your confidence and that of your investment dealers in a vehicle of this character.



1946 DIVIDEND PAYMENTS

During the year, four quarterly "ordinary" dividends were paid, totalling 34.5 cents per share. These payments were from net income of the Fund, that is, interest income from bond holdings, less expenses. In addition, "extra-ordinary" distributions of security profits were made, totalling 45.5 cents per share.

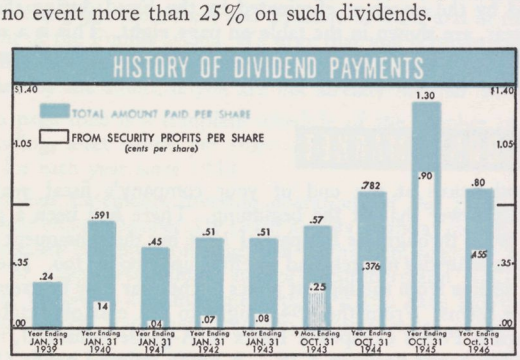
Details of the quarterly distributions are shown in the accompanying table, together with the tax status of each.

PAYMENT DATE 1946	ORDINARY DIVIDEND	EXTRA-ORDINARY DIVIDEND	TOTAL DIVIDEND	TAXABLE AS ORDINARY INCOME	TAXABLE AS CAPITAL GAIN DIVIDEND
JAN. 15	$.09	$.05	$.14	$.0895	$.0505
APRIL 15	.09	.05	.14	.0895	.0505
JULY 15	.09	.05	.14	.0895	.0505
OCT. 15	.075	.305	.38	.0716	.3084
TOTALS	$.345	$.455	$.80	$.3401	$.4599

You will observe that the dividend of 38 cents per share paid on October 15, 1946 included ordinary income of 7.5 cents per share instead of 9 cents, as originally estimated, and that the distribution from security profits was 30.5 cents per share instead of the originally announced amount of 29 cents per share. During the course of the fiscal year under review and on the occasion of redemption of certain of its bond holdings, your company took advantage of accompanying "prepayment" offers. A typical instance was the redemption of the Central Pacific Railway Co. 5s, 1960. Public announcement was made that this issue was to be redeemed as of August 1, 1946, but that holders might turn in their bonds at any time after June 1, 1946 and would receive full interest, "prepaid" to the redemption date. In all, your company last year collected $32,398.71 of interest "prepaid" in this manner.

Subsequent to the declaration of the dividend it was determined that, in accordance with a U. S. Tax Court decision, this amount should be considered as proceeds from the sale of securities rather than as interest income. Your company's auditors advised that, under the circumstances, the $32,398.71 be transferred from your company's income account to its capital gain account even though dividends had already been declared. Hence the change in the components of the 38 cents per share paid on October 15. Other bondholders, both individual and institutional, are similarly affected by this ruling, which has the virtue of transferring "prepaid" interest from ordinary income tax brackets to the usually more advantageous capital gain tax brackets.

In the table on the preceding page, amounts in the last column to the right should be treated in your income tax return in the same manner as gains on securities held longer than six months. Only 50% of such dividends are taxable, and the maximum tax rate applicable is also 50%. Thus, in effect, you pay only one-half your regular tax rate on the total amount of your capital gain dividends, but in no event more than 25% on such dividends.



CAPITAL GAIN AND ORDINARY DIVIDEND

The tax treatment of capital gain dividends is not the only distinguishing feature of such distributions. At the risk of being repe-

titious to those of you who have read previous shareholder reports of the Fund, we offer these further observations on the subject.

A. Capital gain dividends can be paid only when net profits have been realized from the sale or redemption of bonds purchased by the Fund at lower prices. Obviously, the realization of net profits is neither regular nor assured. For this reason, capital gain distributions are entirely unpredictable as to occurrence, time or amount.

B. Capital gains, whether realized or not, increase the value of the assets of the Fund and thereby the amount of capital at work for its shareholders. But when such gains are realized, and are distributed (as they should be, for the tax advantages that accrue thereby), asset value per share is reduced by the amount of the distribution; so is the capital at work in the production of interest income for each share. The wisdom of reinvesting capital gain dividends is plainly evident.

PORTFOLIO OPERATIONS

Bond issues added to the holdings of the Fund, and those redeemed by the issuer or eliminated by the Fund during the 1946 fiscal year, are shown in the table on page eight. This is a summation of information supplied to you regularly in the Fund's monthly bulletin to shareholders.

THE BOND MARKET

Bond prices at the end of your company's fiscal year were generally lower than at the beginning. There had been a gradual rise in prices through the forepart of 1946 but the subsequent decline in all the securities markets had its effect upon bonds too. The extent of the decline from the highest prices of the year may be exemplified in these terms. From the 1946 highs to the end of October, the Standard & Poor's Composite Index of A-grade industrial, railroad and utility bonds declined 4.7%. A-grade railroad bonds (S. & P. Index) were lower by 8.7%, and B-grade rail bonds, by 15.4%. Individual U. S. Treasury issues in some instances declined by more than 4% during this period.

Your management and Manhattan Research Associates, investment adviser to the Fund, concur in the belief that at least two

major forces influencing the trend of bond prices give strong evidence of sustaining relatively low bond interest rates (relatively high bond prices) for some time to come. One is the desire of the U. S. Treasury to keep government costs for borrowed money as low as possible, a desire arising out of necessity and implemented by the means for accomplishing this end. Low rates of interest on government bonds of course "set the pace" for rates of return (prices) of better grade corporate bonds. The other factor is a basically favorable prospect for industrial activity, a normal accompaniment of which would be satisfactory coverage of interest requirements on the obligations of properly selected industrial, railroad and utility companies.

OTHER NOTES

You will find on the next two pages a complete schedule of portfolio holdings of the Fund as of October 31, 1946.

Pages eight and nine contain a statement of the policies and objectives that guide the officers and directors of the Fund in the management of the Fund's assets. We urge that you become acquainted with these policies and objectives, as well as with the basic services provided by the Fund, if you are not already familiar with them.

On page nine is a complete schedule of the number of shares outstanding, asset values per share and other facts concerning the Fund for each year since 1939.

Detailed statements covering operations of the Fund for the fiscal year ended October 31, 1946, and its financial condition as of that date are contained on pages ten to thirteen, together with the report of your corporation's auditors, Zimmermann & Company. You are invited to communicate with us if you have any questions relating to these statements or to any other portions of this report.

Respectfully submitted,

HUGH W. LONG, *President*

By Order of the Board of Directors
November 15, 1946

INVESTMENTS OF MANHATTAN BOND F

FACE VALUE	SECURITY
$ 447,000	Abitibi Power & Paper Company Ltd., First Mortgage Gold Bonds
225,000	American & Foreign Power Company, Inc., Gold Debentures
827,000	Associated Electric Company, Gold Bonds
300,000	Associated Electric Company, Gold Bonds
418,000	Associated Telephone and Telegraph Company, 25 Year Gold Debentures, Series A
1,200,000	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty Year Coupon Gold Bonds
302,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year Gold Bonds (Stamped)
135,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage Bonds, Series A
386,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage Bonds, Series C
295,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage Bonds, Series D
1,182,000	Buffalo, Rochester & Pittsburgh Railway Company, Consolidated Bonds
200,000	The Champion Paper and Fibre Company, 20 Year Debentures
205,000	Chicago, Great Western Railway Company, First Mortgage Bonds, Series A
667,000	Chicago, Milwaukee, St. Paul & Pacific Railroad Company, General Mortgage Convertible Income B
1,076,000	Chicago and Northwestern Railway Company, Second Mortgage Convertible Income Bonds, Series A
972,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage Bonds
428,000	Cities Service Company, Convertible Gold Debentures
166,000	City Investing Company, Convertible Sinking Fund Debentures
1,016,000	Cleveland, Cincinnati, Chicago & St. Louis Railway Company, Refunding and Improvement Bonds
355,000	The Cleveland Union Terminal Company, First Mortgage Sinking Fund Gold Bonds, Series A
509,000	The Cleveland Union Terminal Company, First Mortgage Sinking Fund Gold Bonds, Series B
150,000	Continental Baking Company, 20 Year Debentures
200,000	Delaware, Lackawanna and Western Railroad Company, New York, Lackawanna and Western Div
961,000	Erie Railroad Company, General Mortgage Cumulative Income Bonds, Series A
998,000	Gulf, Mobile and Ohio Railroad Company, General Mortgage Income Bonds, Series A
84,000	Housatonic Railroad Company, Consolidated Gold Bonds, Stamped
1,294,000	Illinois Central Railroad Company, Forty Year Gold Bonds
300,000	International Hydro-Electric System, Convertible Gold Debentures
498,000	Interstate Power Company, First Mortgage Gold Bonds
148,000	Koppers Company, First Mortgage Bonds
764,000	Lehigh Valley Rail Way Company, First Mortgage Extended Bonds
612,000	Morris & Essex Railroad Company, First Refunding Gold Bonds
287,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
310,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
329,000	New England Gas and Electric Association, Convertible Gold Debenture Bonds
413,000	New England Railroad Company, Guaranteed Consolidated Mortgage Fifty-Year Gold Bonds
415,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year Bonds, Series A
39,000	New Orleans, Texas & Mexico Railway Company, First Mortgage Gold Bonds, Series A
61,000	New Orleans, Texas & Mexico Railway Company, First Mortgage Gold Bonds, Series B
107,000	New Orleans, Texas & Mexico Railway Company, First Mortgage Gold Bonds, Series C
648,000	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Serie
817,000	The New York Central Railroad Company, Refunding and Improvement Mortgage Bonds, Serie
300,000	The New York, Lackawanna & Western Railway Company, First and Refunding Mortgage Gold B
189,000	Northern Pacific Railway Company, Collateral Trust Bonds
148,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds, Series C
66,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage Bonds, Series D
125,000	Pennsylvania Power & Light Company, First Mortgage Bonds
250,000	The Pittston Company, Collateral Trust Sinking Fund Bonds
250,000	The Pittston Company, Cumulative Income Debentures
319,000	Seaboard Air Line Railway Company, General Mortgage Income Bonds, Series A
274,000	Southern Pacific Company, Forty-Year Gold Bonds
695,000	Southern Pacific Company, Fifty-Year Gold Bonds
956,000	Southern Railway Company, Development and General Mortgage Gold Bonds, Series A
50,000	Virginia and Southwestern Railway Company, First Consolidated Gold Bonds
97,000	Wabash Railroad Company, General Mortgage Cumulative Income Bonds, Series B
300,000	Walworth Company, 30 Year Convertible Debentures
215,000	The Western Union Telegraph Company, 25-Year Gold Bonds
664,000	The Western Union Telegraph Company, 30-Year Gold Bonds
50,000	United States of America Treasury Bonds
	TOTAL

BOND FUND, INC. — OCTOBER 31, 1946

	INTEREST RATE	MATURITY	VALUE BASED ON CLOSING MARKET QUOTATIONS
	5%	1965	$ 443,647.50
	5	2030	241,312.50
	4½	1953	841,472.50
	5	1961	315,000.00
	5½	1955	434,720.00
Gold Bonds, Series A	4½	1964	1,224,000.00
(Stamped)	5	1948	295,960.00
ls, Series A (Stamped)	5	1995	92,137.50
ls, Series C (Stamped)	6	1995	293,360.00
ls, Series D (Stamped)	5	2000	199,862.50
	4½	1957	783,075.00
	3	1965	206,250.00
	4	1988	175,275.00
ble Income Bonds, Series B	4½	2044	386,860.00
nds, Series A	4½	1999	796,240.00
rage Bonds	2¾	1994	914,895.00
	5	1950	440,840.00
	4	1961	140,270.00
ment Bonds, Series E	4½	1977	822,960.00
Series A	5½	1972	382,956.25
Series B	5	1973	535,722.50
	3	1965	154,125.00
Western Division, First and Refunding Mortgage Bonds, Series C	5	1973	193,250.00
	4½	2015	768,800.00
	5	2015	778,440.00
	5	1937	78,120.00
	4¾	1966	1,006,085.00
	6	1944	282,750.00
	5	1957	504,225.00
	3	1964	153,180.00
	4½	1950	573,000.00
	3½	2000	345,780.00
	5	1947	284,130.00
	5	1948	306,512.50
	5	1950	325,710.00
Bonds	5	1945	377,895.00
eries A	5	1983	427,450.00
A	5½	1954	37,927.50
B	5	1954	57,035.00
C	5	1956	100,045.00
Bonds, Series A	4½	2013	487,620.00
Bonds, Series C	5	2013	688,322.50
rtgage Gold Bonds, Series A	4	1973	247,875.00
	4½	1975	189,945.00
ries C	5	2047	142,820.00
ries D	5	2047	63,525.00
	3	1975	129,375.00
	4	1961	250,000.00
	5½	1964	252,500.00
	4½	2016	220,907.50
	4½	1969	269,205.00
	4½	1981	696,737.50
A	6½	1956	1,089,840.00
	5	1958	53,500.00
	4¼	1991	83,420.00
	3¼	1976	297,750.00
	5	1951	181,406.25
	5	1960	559,420.00
	2½	Dec. 1967-72	51,359.38
			$22,676,804.38

SERVICES PROVIDED

By combining the capital of many individual investors, Manhattan Bond Fund has been able to provide protective services not ordinarily obtainable by investors of moderate means.

Broad diversification of bond holdings is one important service. At the 1946 fiscal year end, for example, your investment in Manhattan Bond Fund consisted of the bonds of forty-four issuers. The largest individual holding represented 5.24% of net assets.

Continuous, experienced supervision is a second important service. Holdings of Manhattan Bond Fund are subject to constant study and are revised whenever in the judgment of the research staff and the management, changes appear desirable. Additions to and eliminations from the portfolio during the 1946 fiscal year are summarized in the table below. In addition, there were numerous changes during the year, in the percentage of assets devoted to individual bond holdings.

SECURITIES ADDED

Abitibi P. & Paper, 1st 5s, 1953 & 1965
American & Foreign Power 5s, 2030
Armour & Co. of Del. 3¼s, 1964
Associated Electric 5s, 1961
Balt. & Ohio 5s, 1995 & 2000
Champion Paper & Fibre Deb. 3s, 1965
Chic., Milwaukee, St. Paul 4½s, 2044
City Investing Co. Conv. Deb. 4s, 1961
Continental Baking Co. Deb. 3s, 1965
Dela. Lackawanna & West. R.R. 5s, 1973
Int'l. Hydro Electric Deb. 6s, 1944
Koppers Co. 1st 3s, 1964
Lehigh Valley Ry. Co. 4½s, 1950
Morris & Essex R.R. 3½s, 2000
New Or., Texas & Mexico 5½s, 1954
New Or., Texas & Mexico 5s, 1954 & '56
N. Y. Lack. & Western 4s, 1973
Northern Pac. Ry. Co. 4½s, 1975
Northern Pac. Ry. Co. "C" & "D" 5s, 2047
Penna. Pow. & Lt. 1st 3s, 1975
Pittston Co. Coll. Tr. 4s, 1961
Pittston Cv. Inc. Deb. 5½s, 1964
Rens. & Saratoga 5½s, 1975
Seaboard Air Line R.R. 4½s, 2016
Southwestern Public Service 3⅛s, 1974
Wabash R.R. Co. "B" 4¼s, 1991
Walworth Co. Conv. Deb. 3¼s, 1976
Western Union 5s, 1951

SECURITIES SOLD OR REDEEMED

Amer. Power & Light Co. 6s, 2016
Armour & Co. of Del. 3¼s, 1964
B. & O., Pitts. & Lake Erie 4s, 1951
Central Pacific Ry. Co. 5s, 1960
Cleve. Union Terminal Co. 4½s, 1977
Cont'l. Gas & Elec. Corp. "A" 5s, 1958
Int'l. Tel. & Tel. 5s, 1955
Northern Pacific Ry. Co. "B" 6s, 2047
Southern Indiana Ry. Co. 4s, 1951
Southwestern Public Service 3⅛s, 1974
Standard Gas & Elec. Co. "A" 6s, 1951
Standard Gas & Elec. Co. "B" 6s, 1966
U. S. Treasury 2½s, 1965-70

GROWTH OF ASSETS

FISCAL YEAR ENDING	SHARES OUTSTANDING	NET ASSETS TOTAL	ASSETS PER SHARE	PERCENT CHANGE IN ASSET VALUE PER SHARE EACH YEAR*
JAN. 31, 1939.....	109,394	$ 757,312.18	$6.92	
JAN. 31, 1940.....	609,370	4,056,631.38	6.66	— 1.73%
JAN. 31, 1941.....	1,062,478	7,507,227.59	7.07	+ 6.76
JAN. 31, 1942.....	1,194,226	8,452,628.08	7.08	+ 1.13
JAN. 31, 1943.....	1,612,635	11,592,088.64	7.19	+ 2.68
OCT. 31, 1943.....	1,862,165	14,789,599.14	7.94	+13.91
OCT. 31, 1944.....	2,274,715	20,939,706.52	9.21	+20.73
OCT. 31, 1945.....	2,504,037	23,143,707.16	9.24	+10.10
OCT. 31, 1946.....	2,940,175	23,342,757.62	7.94	— 9.15

*Adjusted for distributions from realized security profits.

POLICIES AND OBJECTIVES

Your officers and directors proceed on the assumption that each shareholder has entrusted to the Fund that part of his capital on which he needs:

1. Better income than is provided by savings accounts or highest grade bonds.
2. Greater regularity of income than common stocks provide.
3. Greater protection against loss of principal than common stocks afford.

Management of the Fund's investments, which are limited to bonds, is directed toward these objectives. Investment policy, as presently contemplated, will continue to be one which seeks as high a rate of return as may be obtained from a diversified bond portfolio without the assumption of an unwarranted degree of risk.

This is the policy which appears to have encouraged so many investors to take advantage of the services offered by the Fund, and so many investment dealers to advise purchase of its shares.

AUDITORS' REPORT

To the Board of Directors and the Stockholders,
Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at October 31, 1946 and the related statements of income and security profit and loss, paid-in surplus and supplementary information for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. Securities owned at October 31, 1946, as shown on the schedule of investments, except securities purchased but not yet received, were confirmed to us by the custodian. Securities purchased but not yet received were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statements of income and security profit and loss, paid-in surplus and supplementary information, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at October 31, 1946 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ZIMMERMANN & COMPANY
Certified Public Accountants

New York, N. Y.
November 12, 1946.

MANHATTAN BOND FUND, INC.

(Incorporated in Delaware)

BALANCE SHEET – OCTOBER 31, 1946

ASSETS

Cash on Deposit with Custodian		$ 215,892.30
Investments—At value based on closing market quotations (Cost of specific certificates held, $21,885,587.44)		22,676,804.38
Receivable for Interest Accrued and Interest Purchased		371,858.58
Receivable for Securities sold, not yet delivered		80,887.49
Receivable from Wholesale Distributor for Capital Stock sold, not yet delivered		90,853.54
Total		$23,436,296.29

LIABILITIES

Payable for Capital Stock Repurchased, not yet received		$ 17,959.09
Payable for Securities Purchased, not yet received		56,000.16
Accrued Taxes and Accounts Payable (Note 1)		19,579.42
Capital Stock and Surplus (Equivalent to $7.94 per share on 2,940,175 shares outstanding):		
Capital stock of $.10 par value—Authorized 7,500,000 shares; issued or subscribed (less 4,252 shares in treasury) 2,940,175 shares (Note 2)	$ 294,017.50	
Paid-in surplus	22,238,537.37	
"Ordinary distribution account" balance	3,060.25	
Security profits surplus	15,925.56	
Excess of value of investments based on closing market quotations over cost thereof	791,216.94	23,342,757.62
Total		$23,436,296.29

NOTES:

(1) No provision has been made for Federal income tax on net income, realized capital gains or unrealized appreciation in investments, since it is the policy of the Company to distribute all of its taxable income for each year in taxable dividends (including capital gain dividends) and to qualify as a "regulated investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($425.20) has been charged against capital stock account.

STATEMENT OF INCOME AND SECURITY PROFIT AND LOSS

For the Year Ended October 31, 1946

"Ordinary Distribution Account" (As defined in the charter):		
Income—Interest on bonds		$1,082,251.16
Expenses:		
Research and advisory fee	$121,393.02	
Salaries—Officers and clerical	12,595.69	
Reports to stockholders	9,181.52	
Franchise and excise taxes (other than portion applicable to security profits)	8,971.98	
Transfer agent's fees and expenses	7,529.00	
Distribution disbursing charges	7,385.11	
Custodian's fees and expenses	5,966.98	
Legal and auditing fees	4,616.46	
Miscellaneous	8,971.47	
Total	$186,611.23	
Deduct—Repurchase charges received	9,457.66	177,153.57
Net income (exclusive of security profits and losses)		$905,097.59
Add:		
Balance, October 31, 1945		5,049.39
Equalization credits—Net (portion of amounts received for capital stock sold less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		14,391.41
Total		$ 924,538.39
Deduct—Cash distributions to stockholders of $.09 a share each paid January 15, April 15 and July 15, 1946 and $.075 a share paid October 15, 1946		921,478.14
Balance, October 31, 1946		$ 3,060.25
Security Profits Surplus (Computed on the basis of identifying the cost of specific certificates sold):		
Balance, October 31, 1945		$ 6,803.19
Net profit from sales of securities (less $5,585.23 provision for New York State franchise tax and New York City excise tax, and including $653.20 refund of Federal tax for prior year)		1,281,736.19
Total		$1,288,539.38
Deduct—Cash distributions to stockholders of $.05 a share each paid January 15, April 15 and July 15, 1946 and $.305 a share paid October 15, 1946		1,272,613.82
Balance, October 31, 1946		$ 15,925.56
Excess of Value of Investments based on closing market quotations over cost thereof:		
Balance, October 31, 1945		$4,512,094.62
Decrease during the year		3,720,877.68
Balance, October 31, 1946		$ 791,216.94

STATEMENT OF PAID-IN SURPLUS

FOR THE YEAR ENDED OCTOBER 31, 1946

BALANCE, OCTOBER 31, 1945		$18,369,356.26
AMOUNTS RECEIVED OR RECEIVABLE ON SUBSCRIPTIONS TO CAPITAL STOCK, EXCLUSIVE OF THE PAR VALUE OF SUCH STOCK AND AFTER DEDUCTING EQUALIZATION CREDITS ($21,483.43) INCLUDED IN "ORDINARY DISTRIBUTION ACCOUNT"		6,766,170.45
Total		$25,135,526.71
DEDUCT:		
Amounts paid or payable on repurchases of capital stock (before deducting repurchase charges of $9,457.66), exclusive of the par value of such stock and after deducting equalization debits ($7,092.02) charged to "ordinary distribution account"	$2,895,515.84	
Fees and expenses incidental to the registration and qualification of shares of capital stock for sale	1,473.50	2,896,989.34
BALANCE, OCTOBER 31, 1946		$22,238,537.37

SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED OCTOBER 31, 1946

PURCHASES AND SALES OF INVESTMENT SECURITIES

Purchases and sales of investment securities, other than Government securities, during the year ended October 31, 1946, aggregated $10,371,485.00 and $7,213,163.01, respectively.

COMPENSATION OF OFFICERS AND DIRECTORS

During the year ended October 31, 1946 the company paid research and advisory fees of $121,393.02 to Manhattan Research Associates, salaries of $6,525.00 to officers, and fees of $1,460.00 to directors. Certain partners of Manhattan Research Associates are also officers or directors of Manhattan Bond Fund, Inc.

This report is authorized for distribution only to shareholders and others who have received a copy of the official prospectus of MANHATTAN BOND FUND, INC., by which all offerings are made.

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Annual Report for the Year ended October 31, 1947

Manhattan Bond Fund, Inc.

Annual Report for the Year ended October 31, 1947



Directory

GENERAL OFFICES

MANHATTAN BOND FUND, INC.
48 Wall Street — New York 5, N. Y.

OFFICERS

HUGH W. LONG, *President*
VERNON S. VIVIAN, *Vice-Pres.*
WILLIAM F. EDWARDS, *Vice-Pres.*
THOMAS F. CHALKER, *Sec'y-Treas.*
GEORGE T. MOESCHEN, *Ass't Vice-Pres.*
OSCAR P. RENTEL, *Ass't Sec'y-Treas.*
HAROLD T. MEUSBACKER, *Comptroller*

DIRECTORS

WILLIAM H. LOUGH
CLARENCE J. REESE
SOLWIN W. SMITH
HUGH W. LONG
THOMAS F. CHALKER

CUSTODIAN

BANK OF NEW YORK — *48 Wall Street, New York 15, N. Y.*

TRANSFER AGENT

BANK OF NEW YORK — *48 Wall Street, New York 15, N. Y.*

AUDITORS

ZIMMERMANN & COMPANY — *Certified Public Accountants*
55 Liberty Street — New York 5, N. Y.

COUNSEL

HARRIS BERLACK — *20 Exchange Place, New York 5, N. Y.*

RESEARCH AND ADVISORY SERVICE

MANHATTAN RESEARCH ASSOCIATES — *48 Wall Street, New York 5, N. Y.*

• NOTICE OF SOLICITATION OF PROXIES •

Proxies will be requested at a later time for use at the annual meeting of your corporation. A proxy statement will be mailed about December 10, 1947 with the notice of such meeting.

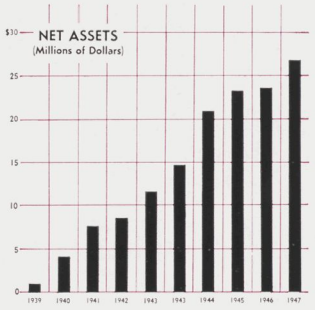
The President's Letter

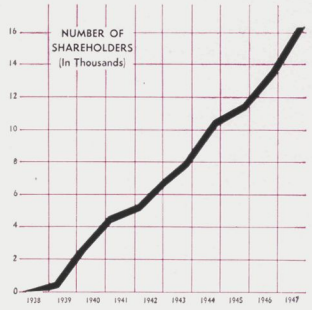
To Our Shareholders:

This is the tenth annual report to shareholders since inception of Manhattan Bond Fund, Inc. As befits the occasion, we have added to the customary discussion of the fiscal year's operations a review of the services which the Fund has provided for shareholders during all the years of its existence.

CONTINUED GROWTH

As you know, your Company is the oldest and largest incorporated Bond Fund. Each year, without exception, we have been privileged to report an increased number of shareholders and a substantial growth in net assets. In the past twelve months 2,708 new shareholders have been admitted to the Fund — the largest increase in any annual period in its history. Total assets are now $26,506,458.89; total number of shareholders 16,192. Both year-end figures are at an all-time high.





Fiscal Years Ending January 31, 1938-1943 and October 31, 1943-1947.

You will be pleased to learn that shares of the Fund are extensively held by trustees, corporations, insurance companies, colleges, libraries, municipalities, educational, religious and charitable institutions throughout

the country. The largest investment of this type in Manhattan Bond Fund is in the neighborhood of 9,000 shares; the average of such holdings 800 shares. During the past year the total number of institutions, corporations, trustees and estates among the Fund's shareholders increased by more than fifty per cent.

INCOME AND YIELD

In the past twelve months, four quarterly dividends were paid to shareholders from "ordinary" income, totalling thirty-four cents per share. "Ordinary" income is gross interest income from bondholdings, less operating expenses. In the previous year, 1946, such payments totalled thirty-four and one-half cents per share.

In addition, "extra-ordinary" distributions totalling sixteen cents per share were paid from net security profits this year. Because of bond market conditions during the year (see discussion on page 8), this distribution was smaller than the abnormally high payments made in the three previous years. As was observed in last year's annual report, the realization of net profits is neither regular nor assured and distributions from this source are entirely unpredictable as to occurrence, time or amount.

Details of 1947 payments to shareholders and the tax status of each are shown in the accompanying table.

• TAX STATUS OF 1947 DISTRIBUTIONS PER SHARE •

Payment Date	*Ordinary Income Dividends*	*Capital Gain Dividends*
January 15	$.08	$.04
April 15	.08	.04
July 15	.09	.03
October 15	.09	.05
TOTALS	$.34	$.16

Capital gain dividends are taxable as long-term capital gains. Only 50% of long-term capital gains are taxable and the maximum tax rate applicable is also 50%. In effect, only one-half of your regular tax rate is paid on the total amount of your capital gains distributions. In no event is more than 25% of such dividends paid out in taxes.

One of management's endeavors is to provide shareholders with a better income than that available from savings accounts or highest grade bonds.

The past year's distribution of thirty-four cents from ordinary income represents a 4.2% return on the sales price of the Fund's shares at the end of the year. Typical yields currently available from savings media are shown below.

TYPICAL YIELDS FROM SAVINGS MEDIA
OCTOBER 31, 1947

SAVINGS ACCOUNTS	1.0% TO 1.5%
GOVERNMENT BONDS	2.3%
A TO AA CORPORATE BONDS	2.9%
SAVINGS AND LOAN ASSOCIATIONS	2.5%

Since inception in 1938, uninterrupted quarterly dividends have been paid to Manhattan Bond Fund shareholders totalling $6.252 per share. These distributions consisted of $3.781 per share from "ordinary" income and $2.471 per share of security profits. In dollar amount, the payments totalled $11,558,272.38.

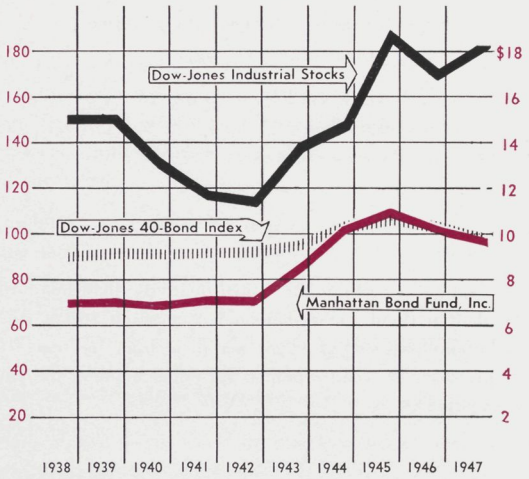
INVESTMENT ACHIEVEMENT

Asset value for each share of the Fund at the end of the fiscal year was $7.31. Taking into account security profits distributions made during the year, this represents a 3.9% decline from asset value a year earlier.

It is interesting to observe that 1947 year-end asset value per share, adjusted for net security profits distributions paid in the intervening period, is now 37.4% greater than the asset value of the Fund on October 31, 1938. There is room for further — though comparatively modest — rise in value. The weighted average price of bonds in the investment portfolio on October 31, 1947 was approximately $810.00 compared with a face value of $1,000.

It should be borne in mind, however, that the Fund is best suited for investors who desire more dependable income and greater protection against

loss of principal than they could obtain in a common stock investment. The accompanying chart shows, year by year, the Fund's asset value per share compared with bond prices generally (Dow-Jones Index of 40 Bonds) and with stock prices (Dow-Jones Industrial Average).



Data for October 31 of each year. Manhattan Bond Fund Asset Value adjusted for cumulated security profits distributions.

SERVICES TO SHAREHOLDERS

Through a single investment in Manhattan Bond Fund, Inc., shareholders enjoy wide diversification of bond holdings. At the 1947 fiscal year-end each shareholder's interest in the Fund was spread among fifty-seven bonds of forty-two issuing companies. The largest investment in any one bond was less than 4.5% of total assets. As you are aware, all bonds owned by the Fund are held in custody by the Bank of New York.

Continuous management and supervision of investment holdings of the Fund resulted in the addition of twelve issues and the elimination, through sale, exchange, or redemption, of thirteen issues during the year.

These revisions were in addition to numerous changes made in the proportion of assets in individual portfolio investments.

• BONDS SOLD, CALLED OR EXCHANGED •

Abitibi Power and Paper Company, Ltd., First Mortgage 5%, 1965
The Champion Paper and Fibre Company 20-year Debenture 5%, 1965
Cities Service Company Convertible Debenture 5%, 1950
Continental Baking Company 20-year Debenture 3%, 1965
Housatonic Railroad Co. Consolidated 5%, 1957
Koppers Company, Inc. First Mortgage 3%, 1964
New England Gas and Electric Association Convertible Debenture 5%, 1947
New England Gas and Electric Association Convertible Debenture 5%, 1948
New England Gas and Electric Association Convertible Debenture 5%, 1950
New England Railroad Co. Guaranteed Cons. Mortgage 50-year 5%, 1945
New Orleans, Texas & Mexico Railway Co. First Mortgage Series A 5½%, 1954
Pennsylvania Power and Light Company First Mortgage 3%, 1975
New Orleans, Texas & Mexico Railway Co. First Mortgage Series B 5%, 1954

• BONDS PURCHASED OR RECEIVED IN EXCHANGE •

American Airlines, Inc. Sinking Fund Debenture 3%, 1966
Boston and Maine Railroad First Mortgage Series "R.R." 4%, 1960
Chicago, Milwaukee, St. Paul and Pacific R.R. Co. Series A 4½%, 2019
General Realty and Utilities Corp. Cumulative Income Debenture 4%, 1969
Illinois Central Railroad Company and Chicago, St. Louis and New Orleans Railroad Company Joint First Refunding Series A 5%, 1963
Missouri-Kansas-Texas Railroad Company Prior Lien A, 5%, 1962
Missouri-Kansas-Texas Railroad Company Prior Lien, D, 4½%, 1978
New York, New Haven and Hartford Railroad Company First Refunding Mortgage Series A 4%, 2007
New York, Lackawanna & Western Railway Co. First and Refunding Mortgage Series B 4½%, 1973
Pennsylvania Railroad Co. General "B" 5%, 1968
St. Louis-San Francisco Railway Co. First Mortgage Series A 4%, 1997
St. Louis-Southwestern Railway Co. General and Refunding "A" 5%, 1990

The constant search for better bond values on the part of your management and its investment adviser resulted in the purchase of bonds of more than 130 separate issues in the years 1938-1947. Only four of the fifty-seven bonds now owned have been continuously held since 1938. Others, held for intervals during that time, have been sold, presented for redemption upon call, or exchanged for more attractive issues. Changes such as these become necessary with the passage of time and in the normal process of careful supervision. Ordinarily they require the individual attention of each bond investor. Owners of Manhattan Bond Fund, Inc. participate, through the Fund, in a bond investment which in itself is continuously supervised, non-maturing and non-callable.

In the ordinary course of business during the year just concluded, more than one hundred interest coupons were collected; the Fund maintained detailed records of all business transacted; prepared and forwarded to shareholders monthly reports of portfolio holdings. Daily quotations for

shares of the Fund, based on the market value of bonds owned, were calculated and made available to investment dealers and to leading newspapers in which they are published.

THE BOND MARKET

• REVIEW

This has been a year of adjustments in the bond market. Because of rising price levels and active business, industry needed additional capital for inventories and for plant modernization and expansion. Ordinarily, business managements would have sought part of their capital needs through sale of additional stock, but the condition of the stock market for the past year was not conducive to such financing. Thus the bond market had to bear the brunt of somewhat unusual demands for new capital. At the same time, revival of building construction again enabled institutional investors to employ large amounts of their funds in mortgage loans; this reduced the amount of capital they could use for purchasing new bonds.

During the year, the abnormally narrow yield "spread" between long-term government bonds and best grade corporate bonds was widened from about 0.45% to about 0.60%, by a moderate decline in high grade bond prices. In addition, interest rates on one-year government notes were adjusted by the U. S. Treasury from ⅞% to about 1⅛%, partially correcting the abnormal yield "spread" between short and long term government issues.

These developments created some hesitancy in the bond markets. One of the consequences was the deferment of plans for refinancing, on better terms, the existing bonds of many companies. The combination of moderately declining bond prices and deferment of redemption of outstanding bonds was the reverse of the situation that had prevailed in immediately preceding years, when bond prices had been rising and outstanding issues were being refinanced by call and issue of new, lower-rate securities. Thus, the unusual conditions responsible for the large distributions of realized security profits by your company in those years were not present in 1947.

• RAILROAD BONDS

Railroad bonds, many of which are held by your company, were influenced by these developments and by problems peculiar to the railroad business as well. This year saw increased wages granted to rail labor, and a temporary rate increase to cover these costs promptly granted the railroads by the Interstate Commerce Commission. Final decision of the I.C.C. on the much greater rate increase requested by the roads will shortly be forthcoming, perhaps by the beginning of 1948.

Your company's investment adviser, Manhattan Research Associates, considers that carefully selected railroad bonds represent some of the best values in the bond market today. This view is shared by your management. Financial status of the railroads whose bonds are owned by the Fund is exceedingly strong. Since 1936 their working capital increased by about $1 billion; funded debt was reduced by over $1 billion, or 18% and annual interest requirements by approximately $100 million, or 30%. Recent working capital total was more than 3 times greater than annual interest charges. Estimated 1947 and 1948 earnings of these roads will be more than adequate to meet interest payments. Furthermore, the recent rate decisions of the I.C.C. suggest that that regulatory body regards itself as duty-bound to maintain or improve the credit standing (earning power) of the railroads.

• OUTLOOK

In the economic research carried on constantly by Manhattan Research Associates, special attention is being devoted to efforts to locate signs of deterioration in general business. At this writing, however, the studies indicate continuation of a high level of business activity for many months to come. Likewise, there is evidence that the adjustment in the high grade bond market is largely completed. In the investment of your company's assets, management is giving major weight to these findings.

FINANCIAL STATEMENTS

You will find a complete schedule of portfolio holdings as of October 31, 1947 on pages ten and eleven. A tabulation of the price and dividend history of the Fund is shown on page twelve.

Pages thirteen to sixteen are devoted to the report of your Corporation's auditors, Zimmermann & Company, to detailed statements covering operations of the Fund for the fiscal year ended October 31, 1947 and its financial condition as of that date.

We urge you to acquaint yourselves with these statements and cordially invite you to communicate with us if you have any questions relating to them or to any other portions of this report.

Respectfully submitted,

HUGH W. LONG, *President*

By Order of the Board of Directors

November 14, 1947

Face Value	Bond Description	Value Based On Closing Market Quotations
$583,000	American Air Lines, Inc., Sinking Fund Debentures, 3%, 1966	$ 510,125.00
633,000	American & Foreign Power Company, Inc., Debentures, 5%, 2030	678,101.25
700,000	Associated Electric Company, 4½%, 1953	707,000.00
300,000	Associated Electric Company, 5%, 1961	315,000.00
418,000	Associated Telephone and Telegraph Company, 25 Year Debentures, Series A, 5½%, 1955	424,270.00
781,000	Atlantic Coast Line Railroad Company, General Unified Mortgage Fifty Year Coupon, Series A, 4½%, 1964	816,145.00
400,000	The Baltimore and Ohio Railroad Company, First Mortgage Fifty Year, (Stamped), 5%, 1948	348,000.00
238,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage, Series G, 5%, 1995	137,445.00
386,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage, Series J, 6%, 1995	268,270.00
343,000	The Baltimore and Ohio Railroad Company, Refunding and General Mortgage, Series K, 5%, 2000	198,082.50
742,000	Boston and Maine Railroad, First Mortgage, Series RR, 4%, 1960	598,237.50
1,182,000	Buffalo, Rochester & Pittsburgh Railway Company, Consolidated, 4½%, 1957	721,020.00
121,000	Chicago, Great Western Railway Company, First Mortgage, Series A, 4%, 1988	95,590.00
582,000	Chicago, Milwaukee, St. Paul & Pacific Railroad Company, General Mortgage Income, Series A, 4½%, 2019	403,762.50
667,000	Chicago, Milwaukee, St. Paul & Pacific Railroad Company, General Mortgage Convertible Income, Series B, 4½%, 2044	353,510.00
1,433,000	Chicago and Northwestern Railway Company, Second Mortgage Convertible Income, Series A, 4½%, 1999	888,460.00
972,000	Chicago, Terre Haute and Southeastern Railway Company, First and Refunding Mortgage, 2¾% to 4¼%, 1994	816,480.00
453,000	City Investing Company, Convertible Sinking Fund Debentures, 4%, 1961	373,725.00
1,116,000	Cleveland, Cincinnati, Chicago & St. Louis Railway Company, Refunding and Improvement, Series E, 4½%, 1977	789,570.00
370,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund, Series A, 5½%, 1972	389,425.00
493,000	The Cleveland Union Terminals Company, First Mortgage Sinking Fund, Series B, 5%, 1973	507,790.00
224,000	Delaware, Lackawanna and Western Railroad Company, New York, Lackawanna and Western Division, First and Refunding Mortgage, Series C, 5%, 1973	176,400.00
1,409,000	Erie Railroad Company, General Mortgage Cumulative Income, Series A, 4½%, 2015	908,805.00
452,000	General Realty & Utilities Corporation, Cumulative Income Debentures, 4%, 1969	379,680.00
998,000	Gulf, Mobile and Ohio Railroad Company, General Mortgage Income, Series A, 5%, 2015	693,610.00
1,294,000	Illinois Central Railroad Company, Forty Year, 4¾%, 1966	1,009,320.00
160,000	Illinois Central Railroad Company & Chicago, St. Louis & New Orleans Railroad Company, Jt. First Refunding Mortgage, Series A, 5%, 1963	142,800.00

Investments — October 31, 1947

Face Value	Bond Description	Value Based On Closing Market Quotations
$949,000	International Hydro-Electric System, Convertible Debentures, Stamped, $300.00 paid, 6%, 1944	$ 653,623.75
473,000	Interstate Power Company, First Mortgage, 5%, 1957	473,000.00
764,000	Lehigh Valley Railway Company, First Mortgage Extended, 4½%, 1950	500,420.00
205,000	Missouri-Kansas-Texas Railroad Company, Prior Lien Mortgage, Series A, 5%, 1962	164,000.00
207,000	Missouri-Kansas-Texas Railroad Company, Prior Lien Mortgage, Series D, 4½%, 1978	148,005.00
562,000	Morris & Essex Railroad Company, First Refunding, 3½%, 2000	314,720.00
415,000	New Orleans Great Northern Railway Company, First Mortgage Fifty-Year, Series A, 5%, 1983	423,300.00
107,000	New Orleans, Texas & Mexico Railway Company, First Mortgage, Series C, 5%, 1956	105,662.50
738,000	The New York Central Railroad Company, Refunding and Improvement Mortgage, Series A, 4½%, 2013	516,600.00
638,000	The New York Central Railroad Company, Refunding and Improvement Mortgage, Series C, 5%, 2013	494,450.00
648,000	The New York, New Haven & Hartford Railroad Company, First and Refunding Mortgage, Series A, 4%, 2007	400,140.00
300,000	The New York, Lackawanna & Western Railway Company, First and Refunding Mortgage, Series A, 4%, 1973	201,000.00
60,000	The New York, Lackawanna & Western Railway Company, First and Refunding Mortgage, Series B, 4½%, 1973	45,450.00
242,000	Northern Pacific Railway Company, Collateral Trust, 4½%, 1975	240,790.00
475,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage, Series C, 5%, 2047	463,125.00
405,000	Northern Pacific Railway Company, Refunding and Improvement Mortgage, Series D, 5%, 2047	392,850.00
442,000	Pennsylvania Railroad Company, General Mortgage, Series B, 5%, 1968	455,260.00
266,000	The Pittston Company, Collateral Trust Sinking Fund, 4%, 1961	266,000.00
300,000	The Pittston Company, Cumulative Income Debentures, 5½%, 1964	301,500.00
1,198,000	St. Louis-San Francisco Railway Company, First Mortgage, Series A, 4%, 1997	970,380.00
338,000	St. Louis Southwestern Railway Company, General and Refunding, Series A, 5%, 1990	307,580.00
319,000	Seaboard Air Line Railway Company, General Mortgage Income, Series A, 4½%, 2016	202,565.00
419,000	Southern Pacific Company, Forty-Year, 4½%, 1969	380,766.25
985,000	Southern Pacific Company, Fifty-Year, 4½%, 1981	891,425.00
1,055,000	Southern Railway Company, Development and General Mortgage, Series A, 6½%, 1956	1,164,456.25
60,000	Virginia and Southwestern Railway Company, First Consolidated, 5%, 1958	59,400.00
789,000	Wabash Railroad Company, General Mortgage Cumulative Income, Series B, 4¼%, 1991	639,090.00
310,000	Walworth Company, 30 Year Convertible Debentures, 3¼%, 1976	294,500.00
215,000	The Western Union Telegraph Company, 25-Year, 5%, 1951	201,831.25
664,000	The Western Union Telegraph Company, 30-Year, 5%, 1960	597,600.00
50,000	United States of America Treasury, 2½%, 1967-72 (December)	50,796.88
	Total	$25,970,910.63

Statistical History

GROWTH OF THE FUND

October 31	Net Assets	Number of Shareholders	Number of Shares Outstanding
1939*	$ 757,312	384	109,394
1940*	4,056,631	2,421	609,370
1941*	7,507,227	4,382	1,062,478
1942*	8,452,628	5,046	1,194,226
1943*	11,592,088	6,668	1,612,635
1943	14,789,599	7,779	1,862,165
1944	20,939,706	10,380	2,274,715
1945	23,143,707	11,344	2,504,037
1946	23,342,757	13,484	2,940,175
1947	26,506,458	16,192	3,625,460

*January 31.

CAPITAL PERFORMANCE AND INCOME

Years Ended October 31	Asset Value Per Share	Distributions Per Share From — All Sources	Income	Security Profits	Adjusted Asset Value Per Share†
1938	$ 7.12	$.12	$.12	—	$ 7.12
1939	7.12	.53	.46	.07	7.19
1940	6.83	.50	.41	.09	6.99
1941	7.07	.51	.44	.07	7.30
1942	7.02	.51	.44	.07	7.32
1943	7.94	.70	.42	.28	8.52
1944	9.21	.782	.406	.376	10.166
1945	9.24	1.30	.40	.90	11.096
1946	7.94	.80	.345	.455	10.251
1947	7.31	.50	.34	.16	9.781

†Asset value adjusted for cumulated security profits distributions.

Auditors' Report

To the Board of Directors and the Stockholders,
Manhattan Bond Fund, Inc.:

We have examined the balance sheet of Manhattan Bond Fund, Inc. (including the schedule of investments) as at October 31, 1947 and the related statements of income and security profit and loss, paid-in surplus and supplementary information for the year ended that date, have reviewed the system of internal control and the accounting procedures of the Company and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards and included all procedures which we considered necessary in the circumstances. Securities owned at October 31, 1947, as shown on the schedule of investments, except securities purchased but not yet received, were confirmed to us by the custodian. Securities purchased but not yet received were confirmed to us by brokers.

In our opinion, the accompanying balance sheet (including the schedule of investments) and the related statements of income and security profit and loss, paid-in surplus and supplementary information, including the notes thereto, fairly present the position of Manhattan Bond Fund, Inc. at October 31, 1947 and the results of its operations for the year ended that date, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ZIMMERMANN & COMPANY
Certified Public Accountants

New York, N. Y.
November 12, 1947.

Manhattan Bond Fund, Inc.
(INCORPORATED IN DELAWARE)

Balance Sheet, October 31, 1947

ASSETS

Cash on Deposit with Custodian	$ 181,460.96
Investments in Marketable Securities — At value based on closing market quotations (Cost of specific certificates held, $27,335,604.62)	25,970,910.63
Receivable for Interest Accrued and Interest Purchased	477,096.94
Receivable for Securities sold, not yet delivered	3,094.67
Receivable from Wholesale Distributor for Capital Stock sold, not yet delivered	40,445.11
TOTAL	$26,673,008.31

LIABILITIES

Payable for Securities Purchased, not yet received	$ 117,989.05	
Payable for Capital Stock Repurchased, not yet received	26,681.21	
Accrued Taxes and Accounts Payable (Note 1)	21,879.16	$ 166,549.42
Capital Stock and Surplus (Equivalent to $7.31 per share on 3,625,460 shares outstanding):		
Capital stock of $.10 par value — Authorized, 7,500,000 shares; issued or subscribed (less 9,562 shares in treasury), 3,625,460 shares (Note 2)	$ 362,546.00	
Paid-in surplus	27,474,352.83	
"Ordinary distribution account" balance	22,038.93	
Security profits surplus	12,215.12	
Total	$27,871,152.88	
Excess of cost of investments over value thereof based on closing market quotations	(1,364,693.99)	26,506,458.89
TOTAL		$26,673,008.31

() Denotes deduction.

NOTES:

(1) No provision has been made for Federal income tax on net income or realized capital gains, since it is the policy of the Company to distribute all of its taxable income for each year in taxable dividends (including capital gain dividends) and to qualify as a "regulated investment company" under Section 361 of the Internal Revenue Code.

(2) The par value of treasury stock ($956.20) has been charged against capital stock account.

Statement of Income and Security Profit and Loss

FOR THE YEAR ENDED OCTOBER 31, 1947

"ORDINARY DISTRIBUTION ACCOUNT" *(As defined in the charter)*:		
INCOME:		
Interest on bonds		$ 1,340,416.10
EXPENSES:		
Research and Advisory Fee	$126,975.61	
Reports to stockholders	11,554.59	
Franchise and excise taxes (other than portion applicable to security profits)	11,146.24	
Salaries — Officers and clerical	11,141.39	
Transfer agent's fees and expenses	9,046.50	
Distribution disbursing charges	8,713.84	
Legal and auditing fees	8,064.26	
Custodian's fees and expenses	7,213.75	
Miscellaneous	19,298.37	
Total	$213,154.55	
Deduct—Repurchase charges received	1,385.04	211,769.51
NET INCOME (exclusive of security profits and losses)		$ 1,128,646.59
ADD: Balance, October 31, 1946		3,060.25
Equalization credits—Net (portion of amounts received for capital stock sold less comparable amounts paid for capital stock repurchased, representing the equalization of the per-share amounts of the "ordinary distribution account" at dates of sales and repurchases of capital stock)		21,498.17
TOTAL		$ 1,153,205.01
Deduct—Cash distributions to stockholders of $.08 a share each paid January 15, and April 15, 1947, and $.09 a share each paid July 15 and October 15, 1947		1,131,166.08
BALANCE, OCTOBER 31, 1947		$ 22,038.93
SECURITY PROFITS SURPLUS		
(Computed on the basis of identifying the cost of specific certificates sold):		
BALANCE, OCTOBER 31, 1946:		
Accumulated net profit	$4,969,037.73	
Accumulated distributions from security profit	4,953,112.17	$ 15,925.56
Net profit from sales of securities less $4,289.17 provision for New York State franchise tax and New York City excise tax ($497,343.73 on average cost basis)		528,724.04
TOTAL		$ 544,649.60
Deduct—Cash distributions to stockholders of $.04 a share each paid January 15, and April 15, 1947, $.03 a share paid July 15, 1947 and $.05 a share paid October 15, 1947		532,434.48
BALANCE, OCTOBER 31, 1947		$ 12,215.12
UNREALIZED APPRECIATION (DEPRECIATION) IN MARKET VALUE OF SECURITIES:		
Balance, October 31, 1946		$ 791,216.94
Decrease during the period		2,155,910.93
Balance, October 31, 1947		$(1,364,693.99)

Statement of Paid-In Surplus

FOR THE YEAR ENDED OCTOBER 31, 1947

BALANCE, OCTOBER 31, 1946	$22,238,537.37
Amounts Received or Receivable on Subscriptions to 844,823 Shares of Capital Stock, Exclusive of the Par Value of such Stock and after deducting Equalization Credits ($25,446.28) included in "Ordinary Distribution Account"	6,461,029.79
TOTAL	$28,699,567.16
DEDUCT—Amounts Paid or Payable on Repurchases of 150,538 Shares of Capital Stock (Before deducting repurchase charges of $1,385.04). Exclusive of the Par Value of such Stock and after deducting Equalization Debits ($3,948.11) charged to "Ordinary Distribution Account"	1,225,214.33
BALANCE, OCTOBER 31, 1947	$27,474,352.83

Supplementary Information

FOR THE YEAR ENDED OCTOBER 31, 1947

PURCHASES AND SALES OF INVESTMENT SECURITIES

Purchases and sales of investment securities, other than Government securities, during the year ended October 31, 1947, aggregated $8,794,712.59 and $3,805,849.45, respectively.

COMPENSATION OF OFFICERS AND DIRECTORS

During the year ended October 31, 1947 the Company paid research and advisory fees of $126,975.61 to Manhattan Research Associates, salaries of $6,462.50 to officers, and fees of $1,900.00 to directors. Certain partners of Manhattan Research Associates are also officers or directors of Manhattan Bond Fund, Inc.

The Fund pays no compensation to Hugh W. Long and Company, Incorporated, its underwriter, for services in the distribution of its securities, but the underwriter received from distribution charges added to the asset value of capital stock sold during the fiscal year ended October 31, 1947, the amount of $196,648.15, after payments or allowances to authorized dealers. Certain officers or directors of Hugh W. Long and Company, Incorporated, are also officers and directors of Manhattan Bond Fund, Inc.

This report is authorized for distribution only to shareholders and others who have received a copy of the official prospectus of MANHATTAN BOND FUND, INC., by which all offerings are made.

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